

# Egypt expels Arab envoys after Tripoli declaration

Four Arab states and the Palestine Liberation Organization yesterday formed a unified military front against Israel. Syria, Libya, Algeria and South Yemen decided to freeze relations with Egypt, which retaliated by telling their ambassadors to leave. Mr Vance, American Secretary of State, is to tour the Middle East this weekend to arouse support for President Sadat's peace initiative.

## Unified military front against Israel

From David Watts  
Tripoli, Dec 5

A new alignment of anti-Sadat Arab states emerged today as five rejectionist leaders signed the Declaration of Tripoli containing a series of political and economic measures designed to undermine the Egyptian leader's rapprochement with Israel.

But the Iraqis, the extremist diehards among the rejectionists, found themselves excluded, at least temporarily, from the anti-Sadat camp and walked out of the conference last night.

In the final communiqué the rejectionist leaders of Syria, Libya, Algeria, South Yemen and the Palestine Liberation Organization announced the formation of a unified military front of confrontation.

They also decided to freeze diplomatic relations with Cairo, take sanctions against any Egyptian company or individual doing business with Israel, and to encourage the Arab League from Cairo and called on all Arab states to give full financial, political and military assistance to Syria as its main confrontation state.

Although it condemned President Sadat's "treason" as "high treason", the communiqué avoided any reference to Resolution 242 of the United Nations, which provides for all states in the area, including Israel, to live in peace and security.

The Iraqis had originally demanded that the final communiqué include a rejection of Resolution 242 but this was not acceptable to the Syrians and a Iraqi walked out of the meeting.

At a press conference this morning, Mr. Taha Jazrawi, the leader of the Iraqi delegation and a member of the country's revolutionary Command Council, said that Iraq had proposed at a committee set up to prepare a further summit in Baghdad at which a united front would be formed in order to give the Syrians time to re-consider their position. But Mr. Jazrawi said that the Iraqis had shown that he still believed in "peace and security and other meetings."

There was no serious obstacle in the way of a unified stand by all six leaders, Mr. Jazrawi said.

## Sudden Vance journey to hardline capitals

From Patrick Brüggen  
Washington, Dec 5

Mr. Cyrus Vance, the Secretary of State, is expected to leave for a Middle East tour today, starting with Cairo on Friday. A State Department spokesman said the trip would enable Mr. Vance to convey the American position to the Arab leaders and to emphasize the importance of the United States' support for the peace initiative.

Mr. Vance is expected to meet with President Sadat, and to discuss the Cairo conference which he has called.

Those Arab leaders who have rejected the initiative could not be invited to change their minds because it would be too late, the spokesman said. It would be most surprising, however, if Mr. Vance did not try to do so.

Mr. Vance's spokesman says it is not really to be supposed that he would succeed in Syria, where it is not yet known whether he will be including Damascus in his trip.

But Jordan might be more easily persuaded. Mr. Vance is expected to visit Amman, Jerusalem, Beirut, Baghdad and Riyadh after his tour of the Middle East. He is expected to return to Washington on December 15.

## Mr Benn fears party organization is Pandora's box

By Michael Hatfield  
Political Reporter

Labour policy-makers were warned yesterday by Mr. Wedgwood Benn, Secretary of State for Energy, that they could open a Pandora's box of complaints if they decided to have an inquiry into the party's structure and organization.

Some trade unions are pressing for an inquiry, but the party's organization committee, after arguments between left and right, decided to postpone any decision and to invite

## Wholesale price rises lowest since April 1973

By Melvyn Westlake

A continuing sharp decline in Britain's inflation rate during the early months of the new year seems virtually certain in the light of government figures, published yesterday, showing the favourable price trends now being experienced by industry.

According to the Department of Industry, wholesale or factory-gate prices showed their steepest rise in November for 1973. Moreover, the cost of industry's raw materials and fuel is now less than it was a year ago.

In the coming months, these favourable trends will be translated into a slower rate of increase in the cost of living.

The rise in factory-gate prices last month of 0.3 per cent, compared with a rise of 0.7 per cent in October.

Just as significant, wholesale prices have risen in the past six months at an annual rate of 0.5 per cent, the first time for some years that the rate of price increase has, on this measure, been in single figures.

As recently as last summer, the annual rate of increase over the previous six months was above 22 per cent.

Prices in the shops will be rising relatively more slowly than at the time when the Government will be faced by a number of key wage demands for public sector employees.

This will help to strengthen the hand of public sector employers in resisting claims for wages above the officially desired level.

Between January and April more than 2.5 million public sector workers are due to negotiate fresh wage agreements. These settlements could easily be 10 per cent or more above the official level.

In an attempt to press this case, Treasury ministers are now forecasting that inflation will be down to between 6 and 7 per cent by early next summer.

Yesterday's wholesale price figures certainly give some support to these forecasts. November was the fourth good month, and prices have risen by a total of only 1.3 since August. A slower rise in the price of new vehicles.

Continued on page 17, col 1

## Mother spurns rescue to die with children

A mother refused to leave her three children yesterday as their home burnt. Neighbours urged Mrs. Cheryl Dale, aged 24, to jump from her bedroom window.

She was found in the front bedroom of her council house in Council Road, Wisbech, Cambridgeshire, near the body of one of her children. The other two were found dead in the back bedroom.

The children were Maxine, aged six, Jason, aged three, and Lisa, aged two.

A neighbour, Mr. George Hollis, aged 35, a fitter, was driving past the house as Mrs. Dale, who was a housewife, was in the garden when the fire started. The two men were taken to hospital, Mr. Dale with severe shock and Mr. Hollis with burns to his arms and a suspected dislocated shoulder.

Mr. Hollis said: "We heard the kids screaming and went round the back with a ladder. I opened the back window but we could not get in because the smoke and flames were so bad."

Neighbours tried using a garden hose and battered down the back door, but it was too late to gain entry that way.

An army team with a Green Goddess fire appliance arrived within five minutes of receiving an emergency call. Firemen left their picket line in Wisbech to help.

Senior Officer David Rayner, in charge at Wisbech, who is not on strike and was at home on standby, arrived first on the scene. He said the strike had not contributed to the deaths.

He used breathing apparatus, but got to the children too late. The family could not have been saved, he said, "because at the time the alarm was raised the house was well alight."

In east London, Sanjeen Gupta, aged six, died in a fire at his parents' shop. Four adults, including his parents, were taken to hospital.

The fire began in one of a small parade of shops in Cam Hall Road, Leytonstone, and firefighters went there in Green Goddesses.

"They knew exactly where the boy was", Lieutenant Brian Davis, who was with the firefighters, said, "but it was such an inferno that there was no way we could reach him."

In Wandsworth, Mrs. Gloria Moore, aged 50, died after being overcome by smoke in a fire at her home

in Penelope Terrace on Sunday night. Neighbours fought the outbreak with hoses and buckets of water.

In Sheffield, yesterday five policemen rescued four children from a blazing house as neighbours tackled the outbreak with buckets of water.

The children, two of whom had to be given mouth-to-mouth resuscitation on the way to hospital, were said later to be well.

Their mother, Mrs. Dorothy Howe, aged 32, was rescued by Mr. Michael Higgins, aged 21, a neighbour, who used a ladder to reach her at the house in Wolesley Road.

The policemen smashed the back door to reach the children, in a second-floor flat. Ulster, where Northern Ireland terrorists have exploited the firemen's strike to try to kill or injure members of the security forces, Lieutenant-General T. M. Crispey, General Officer Commanding Northern Ireland, said yesterday.

He told Mr. Rees, Secretary of State for Northern Ireland, at a security review at Stormont, that some 300 fire engines were used to draw troops to fires so that they could be attacked.

"Settle now" poll: Almost seven people out of 10 questioned think the firemen should settle for a rise of 10 per cent in the national interest rather than maintain their demand for 30 per cent, according to a poll carried out over the weekend by Opinion Research Centre (the Press Association reports).

Almost nine people out of 10 believe that if the Government does allow the firemen to have more than 10 per cent other unions will use that as an excuse to demand more.

Sixty-three per cent of people questioned said it was "very important" and a further 23 per cent said it was "important" that the firemen should be kept demands for wage rises down to 10 per cent.

Hostility to the miners' claim seems to be common. The poll indicates that 85 per cent of voters believe it would be wrong for the miners to ask for a big wage rise less than 12 months after their last increase.

Almost the same percentage, 86, of those questioned, favoured the Government's taking a tough line with the miners if they decide to strike.

Home Office worries, page 2 Letters, page 15

information from the unions. The committee also decided to recommend the suspension from membership of the two Oxford lecturers, Mr. Paul McCormick and Mr. Julian Lewis, who have been taking legal action against the national executive over the Newham, North-east, affair.

That recommendation, which has to be ratified by the full national executive, will depend on further legal advice. But the committee did decide to institute an inquiry into whether the two men's activities are contrary to the constitution of the party and to the rules of the constituency party, and prejudicial to the best interests of the party.

The committee was split along ideological lines over the process of reselection of Labour MPs. Mr. Jack Ashley, a member of the Manifesto Group, accused Mr. Milardo, of the Tribune Group, of misleading the party conference over the automatic reselection of MPs.

Again, on the casting vote of Mr. Stanley, the committee agreed to set up a working party to consider the matter.

## Commons insist Crown Agents inquiry must be in public

By Hugh Moyes  
Parliamentary Correspondent  
Westminster

In an astonishing play of backbench power not seen in the Commons for many years, MPs on all sides joined forces last night to reject, by 158 votes to 126, the Government's proposals for a secret committee of inquiry to investigate losses of at least £200m by the Crown Agents.

Faced with an alliance of right, left and centre, Mrs. Hart, Minister for Overseas Development, was left in no doubt that a secret inquiry was not acceptable and that whatever form of investigation is set up, it must be held in the full light of day with all the powers necessary to call witnesses and papers.

Voting against the Government were 74 Labour MPs, seven Liberals, six



Refreshment for Herr Schmidt, the West German Chancellor, while President Giscard d'Estaing, of France, studies a document at the start of the EEC summit in Brussels yesterday. Report, page 17.

## Govan shop stewards reject 'blacking' plea

Shop stewards at Govan Shipbuilders on the Upper Clyde decided not to "black" any of the ships reallocated to the yard from the Tyne side yard of Swan Hunter. They called on the Swan Hunter outworkers to end

## Students' union funds curb

The National Union of Students, voting by a narrow majority for an executive motion, decided that its union funds must not be used to support non-student causes, such as trade union strikes. Contributions to such causes should come only from the students' pockets or from specified fund-raising activities.

## NEB Fairey bid criticized

The National Enterprise Board successfully outbid Trafalgar House to win control of the non-aviation business of the Fairey Group. The NEB's offer of £22m was described by Mr. Victor Matthews, deputy chairman of Trafalgar, as "outrageous".

## Broadcasting freedom backed

The French state broadcasting monopoly has been successfully challenged in court by a private radio station. Page 4

Trawlermen killed: At least three men died when a trawler sank off Land's End. Page 2

Drugged babies: A surgeon says drugs are being given to some babies born with spina bifida to hasten their deaths. Page 3

Royal walk: Lifts and escalators will not be working when the Queen opens Heathrow Central Underground station. Page 4

Notices by William Mann and Barry Millington. Page 5

Football: FA to announce new England manager next Monday. Page 5

Rugby Union: Peter West looks at regional trial teams and university matches. Page 5

Business features: Eric Wigham on the legal tangle over union recognition. Page 5

Troubles at the Banco di Roma are described by John Eade. Page 5

Business Diary: The accountant as hero. Page 5

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## HOME NEWS

## Fires reach 4,928 in week after drop at beginning of strike

By Donald Macintyre  
Labour Reporter

The number of fires has been rising after a marked drop at the start of the firemen's pay strike, which began on November 14, according to Home Office figures released yesterday.

The weekly total of reported fires remains below average, thanks apparently to the Government's campaign to encourage greater vigilance. But whereas in the first week of the strike there were only 3,992 fires in the United Kingdom, compared with the average November weekly total of 5,600 last week there were 4,928.

Deaths in fires, of which, up to 9 am yesterday, 63 had been reported since the strike began, are at a slightly higher rate than usual for the time of year, three a day over the three weeks.

That average is usual over a year, but the daily toll in recent November has been only 2.5. The Home Office said last night that 13,734 fires had been reported since November 14, compared with a normal total for three weeks in November of 16,800.

An official expressed concern that people appeared to be becoming blasé.

The next stage in the dispute will be decided when the 16 members of the Fire Brigades Union executive meet in London today to consider strategy in the light of Friday's decision by the TUC's finance and general purposes committee not to support a national campaign against the 10 per cent limit on average earnings rises.

Mr Ronald Scott, secretary of the Strathclyde branch of the FBU, said yesterday that a quarter of his men would leave their jobs if the Government did not meet the firemen's claim of a rise of 30 per cent.

"How they make up that figure is a matter for the employers or the Government", he said, "but the men are saying that if they do not get a rise this time there is not going to be a fire brigade."

Neither the Home Office nor the employers' side of the national joint council was able yesterday to state how many firemen have decided to resign.

The FBU says that of the 30,000 full-time firemen on strike, a few hundred have probably done so.

The FBU's Tyne and Wear brigade committee stated yesterday that it would not try to obstruct troops who crossed picket lines to release equipment or to use fire stations.

Mr John Miller, secretary of the union's county branch, said the assurance to the county council was given after complaints about the Army's living conditions and equipment, and suggestions that there would be "bloodshed" on the picket lines if the Army moved into fire stations.

He added, however: "I hope the troops will not try to use fire station equipment, because it would endanger soldiers' lives if they were to do so without training." But the statement "did not mean that equipment and accommodation so used (by troops) will not be blacked by our members."

The FBU has received £1,000 from the Amalgamated Union of Engineering Workers (Foundry Section) and £5,000 from the National Union of Railwaymen.

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## Houses won 'historic' status after being burnt

By John Young  
Planning Reporter

A public inquiry into a new road scheme which begins today may shed light on mysterious goings-on in the town of Trowbridge, Wiltshire. At the very least, events suggest imperfect liaison between government departments and between Whitehall and local authorities.

Early last summer numbers 10, 12 and 14 Ashton Street were destroyed by a fire on some say, two fire. The houses are, or were, listed as of historical interest.

The use of tenses becomes somewhat complicated in that they were not so listed when, as it were, they were still there, but they have now been listed when not much of them is left.

Quite why, or how, the fire or fires started is difficult to elucidate. According to one local resident Home Office officials were making a film on arson and things got out of hand.

The Home Office denies any such suggestion. "We disclaim all knowledge of any film we have undertaken on arson, which has been the subject of a series of reports from Trowbridge," an official said.

A reporter on a local newspaper said he thought there had been two fires. The first, which he reported for his paper, was followed by a second, shortly afterwards, went almost unremarked.

He added that much of the area, which had been blighted by the first fire, was still in ruins. The second fire, he said, was a "small fire" which had been put out by the fire brigade.

West Wiltshire District Council knew nothing of two fires. "I do know that we gave permission to the local fire brigade to use some buildings in that street for practice," an official said.

He agreed that the three houses concerned would not have needed to be demolished to make way for the proposed road, although it was a very close shave. But they were in an area scheduled for clearance, and were not "spoilsed" by the Department of the Environment until after the fire.

Asked why it had decided to list some 30 houses in the neighbourhood at such a late stage, including the three destroyed by fire, the department explained that it had only recently surveyed the area. It had not previously realized that the buildings were threatened by the road proposals, although the plans had been published as long ago as 1965.

Mr Jack Smart, chairman of the association, said the powers should not be reserved for a favoured few councils, but should be available to any city that felt the need.

He said the Government had created a league system to distinguish between its purchasers, and that it was necessary to have a league system to distinguish between its purchasers, and that it was necessary to have a league system to distinguish between its purchasers.

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## Commons debate today on dismissal of sheriff

From Ronald Faux  
Edinburgh

The ordered dismissal of Mr Peter Gordon, Sheriff of South Strathclyde, Dumfries and Galloway, for alleged political activities, will be debated in the Commons today on the initiative of Mr Dennis Canavan, Labour MP for Strathclyde, W.

Mr Canavan will seek to have the dismissal order by Mr Millan, Secretary of State for Scotland, annulled. If the move fails, the dismissal will take effect immediately.

The trouble arose from the publication of a pamphlet by Mr Millan urging a plebiscite on Scottish home rule.

Although Mr Millan is anxious to have the issue fully debated in the Commons there seems to be little sympathy for the sheriff in government circles. An attempt to allow

him to appear before the Commons was rejected.

Lord Enslin, Lord Justice General, Lord President of the Court of Session, and Lord Wheatley, the Lord Justice-Clerk, had investigated a similar charge against him three years ago when a final warning was given.

In April his pamphlet was handed to Mr Millan. The judges wrote to Mr Millan, who did not reply or provide the explanation they requested.

In a report to the Secretary of State, they accused Mr Gordon of gross misconduct and found that the pamphlet's publication constituted political activity incompatible with holding judicial office.

Because of that and the earlier case, the judges, according to the judges, was no longer fit to hold office.

Mr Millan told Mr Gordon that he would continue to campaign for a plebiscite because for many years he had felt it was his duty to do so.

Since the press conference Lord Kilbrandon, who headed the Royal Commission on the Constitution, was indiscreetly brought into the case. He made no direct reference to Mr Gordon's arguments, but said during a speech in Edinburgh that the Act of Union between England and Scotland had been an act of political convenience for which it was not easy to perceive an overriding necessity in the 1700s.

That view prompted a Conservative MP to demand the same treatment for Lord Kilbrandon as Sheriff Gordon had received. Lord Kilbrandon had, of course, pre-empted any such action by retiring.

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## Councils ask for powers to speed urban renewal

By Our Local  
Government Correspondent

Powers to speed urban renewal should be available to all local authorities with inner-city areas, say council leaders, who are anxious to see the Government's new legislation.

A delegation from the Association of Metropolitan Authorities and the London Boroughs Association have made their plea as the Government prepares legislation to meet the urban crisis.

In a consultation document published in the summer the Government suggests that new powers might include the right to make 90 per cent loans for erection and improvement of industrial buildings, 90 per cent loans for land purchase, grants to assist with rent, and loans for site preparation.

Mr Jack Smart, chairman of the association, said the powers should not be reserved for a favoured few councils, but should be available to any city that felt the need.

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financial assistance is concerned but it should not apply where such legal powers as these are concerned. No authority would use such powers unless it genuinely felt that to do so was in the interest of its communities.

The delegation also asked Mr Smart to ease restrictions on the community land Act and more action to encourage the release of void and unoccupied land for urban renewal.

Mr Smart said great strides had been made in the past year towards meeting inner-city needs, but the new legislation would be the next big step.

Government assistance: Mr Smart assured senior representatives of the associations of metropolitan authorities, county councils and district councils that the



## HOME NEWS

## Spina bifida babies 'given help to die'

By Our Medical Correspondent

Drugs are being given to handicapped babies to speed their deaths, a surgeon says in an article in the *British Medical Journal* today on the care of infants born with spina bifida (incomplete development of the spine and spinal cord).

Professor R. E. Zachary, who works at the Children's Hospital, Sheffield, says: "There is a widespread myth that if you operate on a child with spina bifida the child will die, and if you do not operate he will die. This is nonsense. They will not die spontaneously."

Professor Zachary agrees that some babies are born in a severely handicapped state, so operation is inevitable. However, he maintains that, in those circumstances, instead of giving normal care and attention, some doctors are giving the babies high doses of drugs such as chloral or morphine. "No wonder these babies are sleepy and demand no feeds," he says.

"With this regimen most of them will die within a few weeks, many within the first week."

He believes that that attitude to spina bifida is a spill-over from the disregard for life which is now being used to terminate pregnancy if the foetus is known to be abnormal.

"If we eliminate all the severely affected children with spina bifida there will be no more problem," he writes. But if doctors look for opportunities to make sure that severely handicapped babies die in the first few days of life, he believes the same attitude is likely to persist with older children. He asks: "Why stop at spina bifida; why not at the severely affected epilepsies, those with muscular dystrophy, those with Down's syndrome?"

Doctors who use high doses of sedative drugs in the treatment of newborn babies with severe handicap, he says, are not aware of the fact that such actions are best for the child and the family, but there should be no pretence that all those babies are dying spontaneously.

**20 children hurt**

More than 20 children were treated for cuts and bruises after their school bus crashed into an estate agent's office at Sutton, Apperchase, Orpington, south London, yesterday.

**Princess fined**

Princess Margaret, of Sweden, was fined £15 and had her licence suspended by Oxford City magistrates yesterday after admitting speeding.

## Commercial art galleries; 2: Recession affects contemporary works Market improvement promises a good year

By Roger Barthoud

When one asks two dozen dealers of all sorts how inflation and the recession have affected them, the answers vary. The effects of the 1973 oil price rise and subsequent Stock Exchange slump were not felt for about six months, the usual time lag for booms and slumps to work through to the trade.

Everyone agrees 1974 was very bad. There was no great drop in prices. But owners clinging on, there were very few buyers and costs rose sharply. "Things began to pick up in 1975, last year was not too bad, and this year promises to be good for bigger dealers, though not back to the halcyon days of the 1960s."

Life remains difficult, however, for those less geared to exports and without the expensive savings that justifies the ever increasing expense of travel to trade fairs and clients abroad.

That is particularly true with contemporary paintings, where dealers have the pleasure of seeing one-man exhibitions but also the cost of "vicious creativity" as Mrs Gillian Raffles, who shows sound figurative work at the Mercury Gallery in Cork Street, called it.

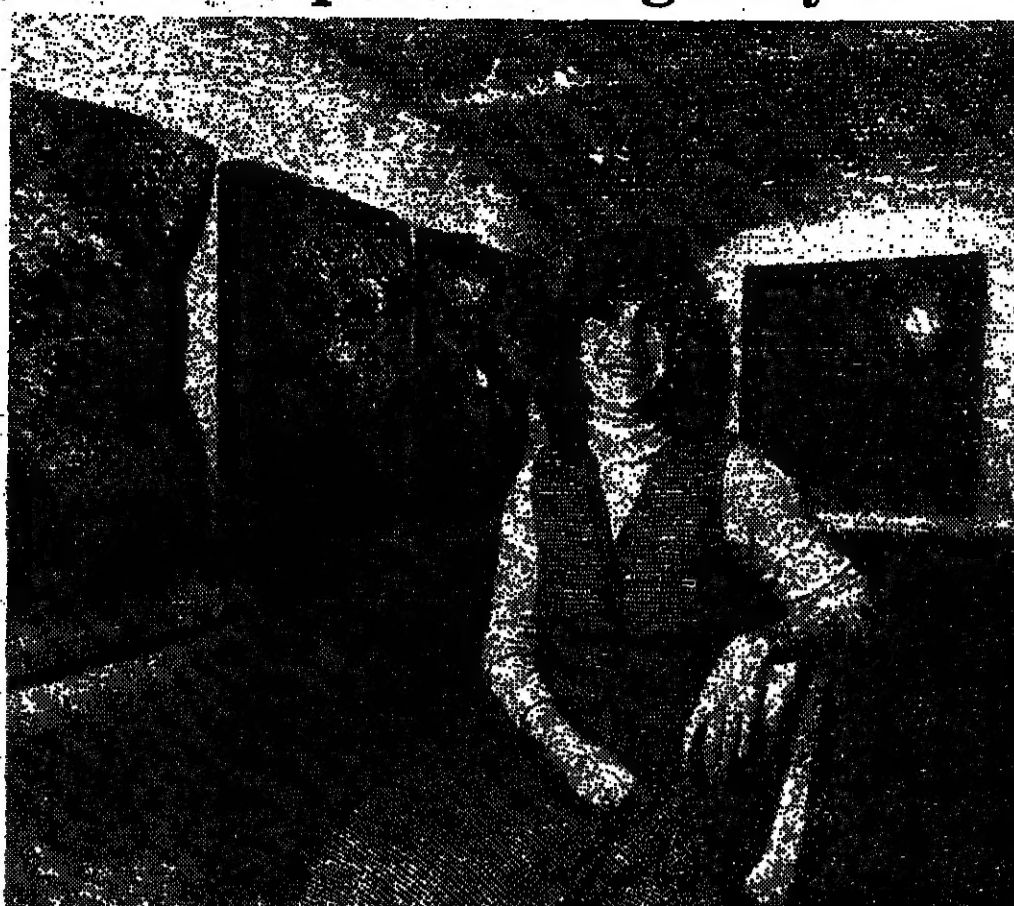
My accountant is beginning to see shows are an extravagance," she said. Sales from stock of more expensive items are essential to stay afloat.

Cork Street has the highest concentration of modern galleries, three of which belong to Mr. Leslie Waddington, and one to his father, Mr. Victor Waddington. Mr. Leslie Waddington, who has artists such as Elizabeth Frank, Anthony Caro, Allen Jones and many other high flyers in his stock, merged last winter with the established Impressionist specialists, Arthur Tooth and Sons. He has a backer in Mr. Alexander Bernstein, deputy chairman of Granada Television.

Mr. Waddington said his own heads, which include such insurance, transport, rent and rates are about £2,250 a week, or £450,000 a year. Net profits rose steadily to £146,000 in 1975, fell sharply in 1974, but were still below 1973 level last year.

This year, with the Tooth merger, promises to be very good, he said. Probably only 5 to 10 per cent of turnover comes from one-man shows, and the business is "disproportionate".

"The real money is when you buy, say a Leger, for £3,000 and sell it for £30,000. He exports perhaps 90 per cent of turnover, mainly to youngish people in the business, the professions and show business, in



Miss Felicity Samuel with her Savile Row gallery's present "line", glass-fibre mouldings of roads and pavements.

Germany, Switzerland, the United States, Canada and Japan, with some Middle East clients. "A lot of people earn £80,000 to £90,000 and have £10,000 or £20,000 to spare."

Mr. Peter Gimpel, of Gimpel Yell, in Davies Street, which has branches in New York and Zurich, says his overseas art sales are about £150,000 a year. "I don't think I could live on selling a few pictures a year. As it is, I have to sell about £350,000 worth to cover overheads and pay myself a salary of £10,000. He has always exported virtually everything."

The falling pound has complicated life as well as increasing such costs as travel and transport. "I have to put up the sterling price of, say, Alan Davie's work over here to the dollar level, or his prices would undercut those in the United States and their value there would drop," he said.

He is disheartened by the dearth of reviews of exhibitions in the British press. "We are shown, and get a kick out of putting on a good show and getting good attendance, even if there is no sale."

A newcomer to Cork Street is Mr. James May, whose Mayor Gallery, founded by his

father, recently moved from South Molton Street. He worked up to 1975 at Sotheby Parkes Borne in New York, and specializes in American painters such as Claes Oldenburg, Ellsworth Kelly and Robert Rauschenberg. Clients are mainly in Switzerland, Germany and Sweden. "They come from a background of money, and have made more," he said.

He needs to turn over £500,000 a year to break even. He misses the way people flock to galleries and museums on Saturdays in New York. "People do not realise Cork Street provides a free education, what the Arts Council and the Tate should be doing, but out of our own pockets."

Miss Felicity Samuel, daughter of Lord Bearsted, of Hill Samuel, the bankers, started her gallery in Savile Row five years ago, but found the fall in sterling put up the prices of her collection of Californian artists too sharply.

She looked for more British painters and sculptors, mainly abstracts. "This gallery promotes artists. We are positively a part of their career," she said. Perhaps 10 to 15 per cent of sales are to Britons, the rest worldwide. "In the United States in

particular art has a lot of prestige. If you have a large Jasper Johns there, it is the same sort of status symbol as having a Rolls outside your door. Here it has none at all."

"But life is very civilized in London and I would not want to live in a world where every morning people are trying to pinch your clients. We do not necessarily make money every year. But we exist, and that is a feat."

Mr. Alec Gregory-Hood, a former colonial, who started the Rowan Gallery in 1962, moving from Belgrave to Bruton Place in 1967, pays his artists a salary every quarter, a practice pioneered by Marlborough Fine Art.

"Some years you get it back, some years you do not." With a staff of four he reckons he can give a satisfactory service to 14 or 15 artists; his best known are Bridget Riley and Philip King.

He expects about 80 per cent. People look at the gallery's large abstracts and say: "There is no way I could get that in my room." Often they are wrong; a big painting, he said, increases a small space. "I did not believe it, but it is true."

Next: Selling to the rich.

## Arts Council willing to risk giving offence for sake of development

By Kenneth Gosling Arts Reporter

People who are not prepared to have their preconceptions challenged should keep away from contemporary art, Mr. Roy Shaw, secretary-general of the Arts Council, says in the council's annual report. They should expose themselves, he says, only to those heritage arts that time has rendered innocuous.

It was right that people should be concerned with the nature and quality of pictures, publications or performances supported by public money. At the same time, the Arts Council, while itself concerned, could not assume the responsibilities of the guardians of the law and public morals.

A little thought would show that it was neither possible nor desirable for the council to censor many thousands of art activities throughout the country, "which is what would be necessary to satisfy some of its critics."

Referring to the controversy over some exhibitions at the council-funded Institute of Contemporary Arts (ICA) Mr

Shaw says that its whole year's work will continue to be taken into account when assessing grants. "There is always a chance that some one or two of its hundreds of annual activities may give offence to some people. That is a risk that must be taken if the arts are to grow and develop."

The swing from Victorian prudishness should not go as far as the abdication of judgment, he says. "But the business of drawing the line between the merely shocking and the truly objectionable is not, and never can be, an exact science, particularly when society is given by doubts about its standards, both moral and aesthetic."

While the council was criticized for laxity in the case of the ICA, a different criticism, that of excessive moral rigour, had, some unthought. It had decided not to issue a catalogue for an exhibition for which it was directly responsible because one paragraph contained mainly four-letter words.

The decision was a hurried one and in subsequent discussion the council felt that the

catalogue should have been distributed. It apologized to the two artists concerned. On support for community arts, he says it would be "robbing Peter to pay Paul" if the National Theatre were to be closed to find more money.

Mr. Kenneth Robinson, chairman of the council, told a press conference yesterday that the National building was more expensive to run than expected. "We have a very real obligation to the theatre movement throughout the country, and although the National has been an enormous advantage to London and the whole of Britain there is a limit to what we can do to fund it."

The council's grant in aid for 1978-79 would be known before the end of the year, he said.

The council has previously pointed out that late notification of the grant is an embarrassment to its clients, since orchestras and theatres need to plan well in advance and want to know what money will be available.

Value for Money (Arts Council, 105 Piccadilly, London, W1V 0AU, 80p).

Leading article, page 15

## Battle lines drawn over road plan

## Regional report

Tim Jones Barnstaple

A battle has been unfolding in the village halls and public houses of the West Country over the past month as two sharply divided camps seek by persuasion, consultation and propaganda to determine how road transport should develop in north Devon over the next decades.

Both sides agree that roads in the area are no longer capable of dealing adequately with the increasing flow of traffic to one of Britain's most picturesque areas, which pays the price for its beauty by a road-shaking invasion every summer.

Their differences, however, are fundamental and emotive, and it is clear that many barriers will be briefed in order to prevent the Department of Transport from achieving its aim of constructing a link road from Tiverton to Barnstaple by the mid 1980s.

For once the Department of Transport is not the universal whipping boy, for its proposals have attracted the support of industrialists, trade unionists, local politicians and MPs.

Ranged against them in vociferous union are local landowners, other local councillors and environmentalists who fear that a concrete ribbon would devour agricultural land and scar the landscape. Throughout November the department's road construction unit mounted exhibitions in the area displaying in great detail

and attract new industry to the area to combat growing unemployment.

Visitors to the exhibitions have been met by representatives of the North Devon Link Road Action Group.

They contend that agriculture, tourism, manufacturing and service industries in the area would best be served by improving existing roads and providing by-passes for villages. They say difficulties on the roads in the area are caused by local bottlenecks, which can be overcome without imposing a "savage scar on our landscape."

The action group is supported by Lady Margaret Fortescue, who thinks a new road would lead in time to a Blackpool-style city on the north Devon coast, dominated by big operators. In order to justify it, she says, future governments may urge accelerated industrial growth to the area, until north Devon as it is now becomes a distant memory.

Department of Transport experts strongly deny the claim that a new road would be much more expensive than improving existing routes and claim, indeed, that it would be cheaper.

When, as seems inevitable, a public inquiry is held, it seems likely that the loudest voice will come from the people who have filled in the questionnaire, for it is they who will have to live with whatever proposals eventually win the day.

## Sir John Garlick favoured as new Environment head

By Peter Hennessy

Sir John Garlick, second Permanent Secretary to the Cabinet Office, is almost certain to be named as Permanent Secretary to the Department of the Environment in succession to Sir Ian Buncroft.

Sir Ian was appointed Head of the Home Civil Service last week and is due to take up his post on January 1. The expectation in Whitehall is that an interregnum at Environment will be avoided.

The Senior Appointments Selection Committee meets in the next few weeks for its last session under the chairmanship of Sir Douglas Allen, the outgoing Head of the Home Civil Service. It is thought that the nine permanent secretaries will make up its membership will recommend Sir John Garlick's name to the Prime Minister once Sir Douglas Allen has consulted Mr. John Burre, Secretary of State for the Environment.

Sir John, aged 55, is due for a move in October, 1974, he took over leadership of the

construction unit established by the Cabinet Office to steer Whitehall through devolution. With the Scotland and Wales Bills on their way through Parliament, the bulk of its work is done unless ministers impose sudden and unexpected tasks on it.

Sir John has had long experience at Environment. He ran the roads programme in a period when it was absorbing much public expenditure. The other possibility for Sir Ian Buncroft's post is Sir Peter Baldwin, who moved from Environment, where he had been second Permanent Secretary for a short spell, to the Department of Transport when Mr. Callaghan reconstituted it in September last year. He is so highly regarded there that the expectation in Whitehall is that the Prime Minister and Mr. Rodgers, Secretary of State for Transport, will leave him where he is.

It is not thought that Sir John will be replaced at the construction unit's workload is no longer sufficient to carry a permanent secretary.

## Fresh look at education 'necessary for society'

By Simon Midgley, of The Times Higher Education Supplement

A fresh look at the British education system from a different standpoint is essential to meet the real needs of society, Dr. Patrick Nuttgens, Director of Leeds Polytechnic, suggests in a paper discussed last night by the Society of Industrial Artists and Designers.

Dr. Nuttgens argued that the world of action, of making and doing, needed to be studied as "the missing piece of a relevant education and a corrective to a dead tradition."

The idea that the ordinary mind dealt with things and the educated mind with ideas, "the pure world of clear and perfect unities not to be found in the imperfect, flawed and confused world of industry and work," was creating a stranglehold on the education system.

The academic faculty was now in business, sufficient unto itself. Research, including literary research about matters so ignored that "one who was likely to want to do it again, became the aim of the learned, and teaching a poor

second, not indeed what the workers were really there to do.

Among the research a small proportion was of the utmost significance for the future of the world. But for the most part, he said, it was "a great deal of time and money spent in and out, weighing down the library floor, becoming sooner or later itself the stuff for more research and more papers."

Desecrating the Green Paper on education as "a remarkable feat of intellectual complacency," he said it was based on conventional accepted values, namely that the gifted should go on to academic studies while the less able turned to careers and the world of work.

One of the keys to educational progress, he said, must be to study in more detail the actual process of thinking out practical problems and making. Any education system that ignored that "one of the great creative ingenuities was inert and removed from the reality of our world," he said.

## Student growth leaves staff behind

By Diana Geddes Education Correspondent

Support for the university teaching staff, on an increased basis, is to be found in a latest volume of statistics on universities, published by the Government today. It shows that while the number of full-time students rose by more than 10 per cent between 1974 and 1975, the number of academic staff increased by 0.1 per cent.

The increase in student numbers - was the largest recorded in the five-year period, 1970-1975, the increase in academic staff was much the smallest.

The number of full-time stu-

dents in universities nearly doubled between 1964 and 1975, rising from 138,711 to 261,258. During the same period the number of academic staff went up by less than three-quarters, from 18,375 to 31,381.

The rate of increase in the number of women students has risen since 1970 and 1975 was almost double that for the student body as a whole. In 1975 women represented one in three (33.6 per cent) of all students, compared with about one in four (26.4 per cent) 10 years earlier. Women still account for only one in four postgraduates, however.

While the number of undergraduates increased between 1974 and 1975 in each subject group, those reading science

subjects showed a much smaller increase than those reading arts subjects. The latest figures, however, which are not included in this volume, indicate that there has been a revival of interest in the sciences.

The proportion of undergraduates reading a science subject fell by more than 3 per cent between 1971 and 1975, but they still account for more than half (52.6 per cent) of all undergraduates. The proportion of postgraduates reading science subjects went up in 1975 for the second year running, to 49.2 per cent of all postgraduates.

Statistics of Education, Volume 6, 1975 Universities (Stationery Office, £5.75).

## Men convicted seven years ago are cleared

Four factory workers, convicted seven years ago of plotting to pervert the course of justice, were cleared by the Court of Appeal yesterday.

The four, jailed at Kent Assizes on April 24, 1970, for an alleged attempt to frame innocent men on harm charges, had their convictions quashed after Mr. Edward Gardner, QC, for the Crown, had told the court that he could not oppose the appeal.

Sadr Raddip Singh, aged 45, of Milton Road, Gravesend, Kent; Bakshi Singh, aged 33, of Parrot Road, Gravesend, and Gurmeet Singh, aged 42, of Kenmore Drive, Cleckheaton, West Yorkshire, have served their two-year sentences. Charan Singh, aged 53, of Darley Road, Gravesend, has served his 18-month sentence.

Their case was reopened by the Home Secretary and referred to the Court of Appeal yesterday after a conversation and an Indian immigrant had been kept in the recording Kaval Kalia, who interpreted for the prosecution at the trial of the Singhs, told the other man that they were wrongly convicted and that he had misled the court.

'Marriage' sentence

Pui Tsui, aged 28, a Chinese waitress, was sent to have gone through a marriage ceremony with an English girl to enable him to stay in Britain was given a six-month prison sentence, suspended for a year, at the Central Criminal Court yesterday.

## Lucas firms are accused of sanction breaking

By Our Correspondent

Fourteen summonses alleging that two subsidiaries of Lucas Industries broke the United Nations trading sanctions with Rhodesia are to be heard at a special sitting of magistrates at Aylesbury, Buckinghamshire, on February 8.

Magistrates at Princes Risborough agreed yesterday to require, by the customs and excise, and defence solicitors, that the case should be adjourned and that a special court should deal with commitment proceedings.

The subsidiary companies are Lucas Service Overseas Ltd and Lucas Ltd, both based at

## Civic leaders call £8.75m county hall a bargain

From Our Correspondent Newport

Gwent County Council, which is against devolution and local government reorganisation, yesterday opened to the public its new £8.75m county hall complex, which civic leaders said was a bargain.

At a press conference after a tour of the final phase, a civic block that accounts for nearly £4m of the cost, Mr. J. A. D. Bray, the council's chief executive, said the project was first mooted in the 1930s when the existing county hall in Newport was too small to house all the departments.

The 22-acre site at Croesyceiliog, near Cwmbran, was acquired in 1949 but the first

phase was not approved until 1969. Government delays, spending restrictions and inflation have pushed up the cost from an original £800,000 in about 1950.

The complex was worth £11m at present property values, Mr. Bray said. Councillor Graham Powell said the new premises would make local government more efficient.

The new civic block contains a spacious panelled council chamber, a dining room, lounge and bar for the 78 members, committee rooms, public rooms, an assembly hall with a movable stage, and a gallery.

It is hoped that the hall, which can take nearly 500 people, will become a conference centre.

Acting upon the instructions of the executive of the late M. Daniel Gruilbert :

Devere Crouch (Amier)

Offer for sale in one dozen lots the following

Wine	Vintage	price per doz
<b>Clarets</b>		
Chateau Lafite Rothschild (Poulac)	67	£152
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Aloxe-Corton (L. Latour)	73	£53.40
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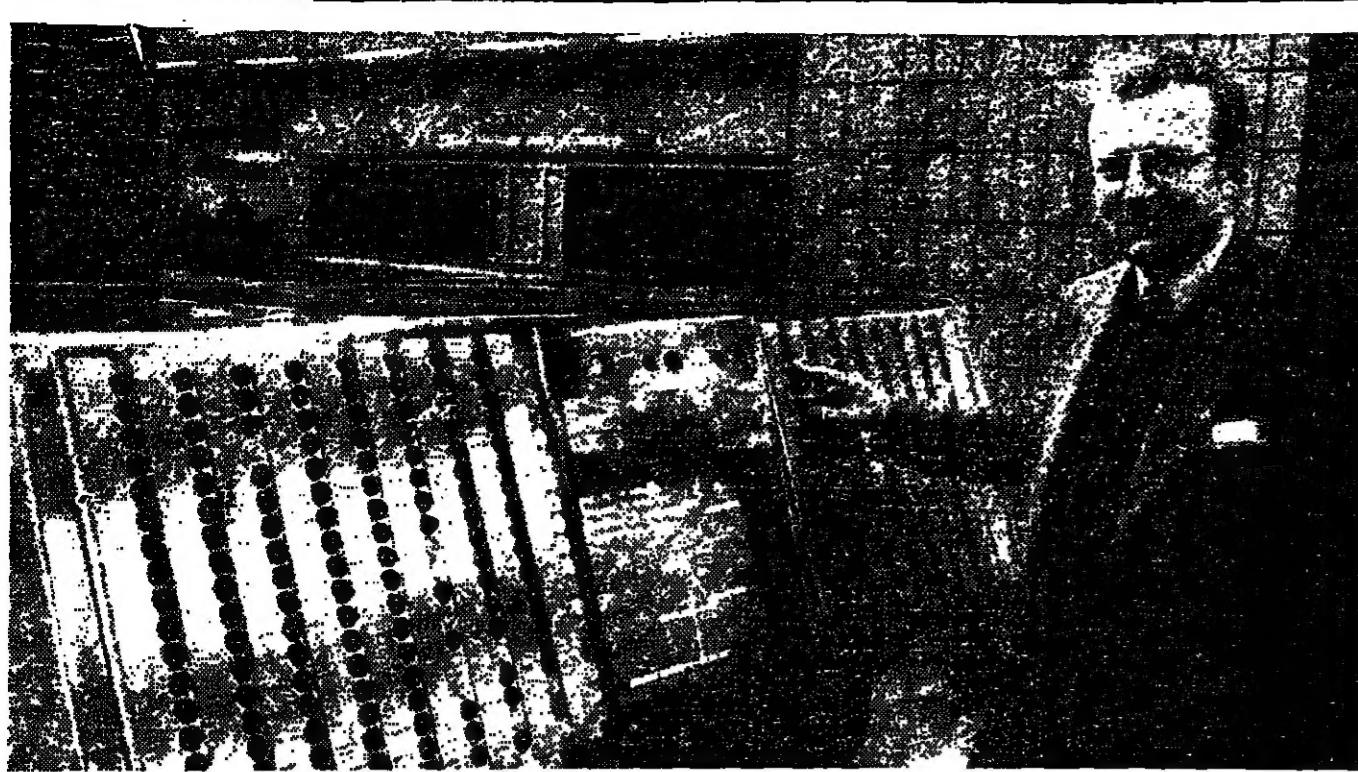
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## HOME NEWS



Computer-controlled journey planner, with information in three languages, at the new station.

## Strike will mean Queen has to walk

By Philip Howard

December 16 will be a black day for London taxi-drivers but a red letter day for travellers. The Queen is going to open Heathrow Central Underground station, the extension of the Piccadilly Line, which has taken nearly seven years to build and cost taxpayers and ratepayers £30m. Heathrow will become the first big international airport directly linked into the Underground system of a great capital city.

The only things not expected to be ready are the escalators because of a strike by lift and escalator engineers. Passengers

will have to climb up or down 40 steps.

Mr Michael Robbins, managing director of railways at London Transport, said yesterday that it had been decided that there would be less public disappointment if the station was opened without escalators than if the opening was postponed.

"The Queen knows about it, and will take it in her stride," London Transport's beautiful new station is not typical for one of the Queen's rare excursions into the Underground system. There are no graffiti yet on the bright yellow and orange paint. The telephones are working, and the telephone directory has not been stolen or defaced.

There are no advertisements for underwear beside the station's escalators. Heathrow Central is as bright as a new pin, the most modern computerized and automated gate-

way to internal railways in the world.

It is connected by wide moving walkways to the three airport terminal buildings. Everything is well waymarked with internationally recognized symbols. There is a travel information centre manned by London Transport, British Rail, and the London Tourist Board.

A computer-controlled journey planner will project push-button information on a screen in three languages, at least until it becomes the favourite toy of small boys and goes mad.

Train movements in and out of the station will be controlled by computer. An electrical substation has been built on the platform behind smoked glass, and closed-circuit television has been installed in the operations room. Cameras are linked to the line controller's office at Earsic Court, giving a

view of the platforms at Heathrow.

Mercifully there are a number of seats in the ticket hall, where automatic ticket machines dispense tickets up to £1. There is a sterling exchange to enable foreign visitors to get enough money to feed the machines. Everything is tastefully decorated with symbols of tailpipes and aircraft.

There is what is described as a "kiss-and-ride" bay, where motorists can see down or pick up Underground passengers. There are automatic doors and other wonders undreamed of on the travel-worn trails of the Central Line. Specially designed trains with extra space for luggage are being introduced.

From Friday week a journey by Underground from Heathrow to Piccadilly Circus will cost £1.05. London Transport estimates that it will take 40 minutes.

## In brief

## £100 more for drug find man

Mr Russell Davis, a British Airways employee, of Egham, Surrey, who received a £5 reward after finding about £500,000 of heroin, received a personal letter of thanks and £100 yesterday from the Board of Customs and Excise.

Customs officers at Heathrow had written to their head office suggesting that Mr Davis should get more.

## Holidays in China

Thomson Holidays has been given the permission by the Chinese Government to carry 900 people on package tours to Peking and Shanghai from January to May next year. The 12-night holidays will cost from £575.

## Ten held at airport

Two men were detained by detectives at Heathrow airport, London, yesterday in connection with inquiries into the theft of liquor and other goods from the bar of a British Airways aircraft.

## £2m improvements

More than 60 sites in Glasgow are to be landscaped or made into sports pitches, playgrounds, walkways and car parks at a cost of £2m. The area was criticized recently by a Duke of Edinburgh study group.

## Correction

The Society of West End Theatre Award for actor of the year in a revival was Ian McKellen, for his performance in *Pillars of the Community*, not Derek Jacobi (*Hamlet*) as stated yesterday.

## Alarm at growing number of homeless girls

By Penny Symon

The growing number of homeless young girls in Britain, some of them only 15, are alarming voluntary agencies trying to provide shelter for them. In London alone about two thousand girls will be homeless over Christmas.

Crisis at Christmas, the charity started 10 years ago to try to relieve some of the poverty and despair of single homeless people, particularly over the Christmas period, says in a report published yesterday that even in the recent past it had been assumed that young girls rarely became homeless. Surveys of 10 and 20 years ago showed a small, but neglected, population of older female "dossers". Although it was impossible to count them, it was estimated that there were no more than one or two thousand women, most of them of middle or advanced age.

Presenting the report, Mr Nicholas Scott, Conservative MP for Chelsea and chairman of the trustees, said there had been a dramatic change and now young girls had become homeless in numbers large enough to cause deep concern among social and voluntary agencies.

The reasons for homelessness were many, but the break-up of a family was largely responsible as were the loss of temporary housing, squats, sleep rough, or became prostitutes.

It would be wrong to assume, the report says, that most of the homeless girls had arrived in London from the provinces. "While a number of them do come from outside the capital, there is good evidence to support the growing awareness that many of them in London are from the capital itself. As well as London, Manchester, Birmingham and Liverpool have

## Students' funds not to aid outside causes

From Diana Geddes

Education Correspondent

Students' union funds must not be used to support essentially non-student causes such as union strikes, the National Union of Students decided yesterday. Contributions to such causes should come only from the students' own pockets or specific fund-raising activities.

The decision to adopt the policy, proposed in an emergency motion by the NUS executive, was taken by a narrow vote after one of the most heated debates of the union's four-day national conference, in Blackpool, which ended yesterday.

Opponents of the motion argued that restriction on spending attacked the autonomy of individual student unions. They said that the union should ever cause they liked, including non-student events such as transport to help the Grunwick pickets or contributions to the firemen's strike. Unions should not have to stand by their expenditure to outside bodies.

The national executive, however, argued that the financing structure must be publicly accountable. It fears that the Government, which is reviewing students' union finances, may impose restrictions unless unions put their houses in order first.

The NUS has received legal advice which says that payments for purposes not related to the education, social activities, recreation or representation of students are outside the union's power as defined by the Education Act and their charitable status.

In a background report to

the conference the national executive points out that ultra vires payments endanger charitable status and with it such fiscal advantages as exemption from corporation tax on the interest from deposit accounts.

Most students' unions are charities. Any student who felt that funds were being improperly used could apply for an injunction in the courts, either to prevent payment or to obtain compensation for union funds if they had been made, the report says.

The individual union's principal officers would personally be liable to repay the funds, it adds.

An outside body, such as the local education authority, which pays the union's fees for most students, or the college authorities, may also be able to challenge union payments, the report says.

The union has asked counsel for legal advice on the whole issue. It hopes to send guidelines to students before the end of the year.

Mr Peter Ashby, deputy president of the union, said it would have been committing political suicide if it had not recognized the need to stop ultra vires payments.

The conference decided

## 'Loyalist' council broke law

From Christopher Walker

Belfast Correspondent

Controlled council, in Londonderry was found guilty in the High Court in Belfast yesterday of discrimination for refusing to allow two young Gaelic footballers to take part in a government-aided coaching scheme last summer.

The case marked a legal milestone in the continuing attempts to prevent discrimination in the public sector. The council was expected to enhance the position of Gaelic football, which has been a long-standing sport for young people in the area.

Two teenage brothers, Kieran and Patrick, brought the case to court. They received a declaration yesterday that the council's decision was discriminatory on the grounds of religious belief or political opinion. The judge found that the council had discriminated against the boys because they were Catholic and members of the Gaelic Athletic Association.

He rejected the defence submission that by allowing the Gaelic Athletic Association into its summer scheme the council would be giving aid and support to a non-confessional state.

Under its present membership rules, he said, the GAA included a provision that was clearly discriminatory. He quoted a section of rule 15 which states: "British soldiers, Navy men and policemen should not be eligible for membership of the association."

He said the rule was having a directly unpleasant effect on its trial, because it also stated that any member participating in a Servicemen's or police dance would be suspended from the GAA for at least three months.

If the council coaching scheme had directly aided the GAA, and if the council had proposed handing money over to the GAA, it is then because of rule 15, the defence point would have looked quite formidable, he said.

After the hearing, the Rev William McCrea, chairman of the council and a member of the Democratic Unionist Party, said the council's decision had been vindicated and the judgment showed that the Government was breaching the discrimination law in other respects by financing the GAA.

The pirate radio involved is in no way like the dozens of clandestine radio stations which have sprung up over France recently. It was a proper organisation in its own right, installed in a tower block in the new area of Montpellier.

Two of its main directors are a former radio journalist and a lawyer, M François Chasseing, and M François Delmas, the city's former mayor, who is a member of the Central Committee of the Republican Party and also a lawyer. They helped to set up the station deliberately to force the broadcasting authority, Télédiffusion de France (TDF), into the courts.

Radio Fil Bleu, as it was called, went on the air at 7.30 on July 12, with a programme of local news and American pop music. It had £5,700-worth of equipment enabling it to broadcast over a 15-mile radius. Advance publicity had ensured that every- one, including the TDF, knew

## WEST EUROPE

## Fears grow among European Nato group over American plans for arms limitation pact

From Henry Stanhope  
Defence Correspondent  
Brussels, Dec 5

Mr Harold Brown, the United States Defence Secretary, will have to allay serious fears among the European Nato allies about American proposals for the next strategic arms limitation (Salt) agreement when he addresses the alliance's defence planning committee here tomorrow.

This became clear after today's meeting of Nato's Eurogroup, at which countries, particularly Britain and West Germany, expressed concern about some of the implications.

The focal point for this concern are the range limitations which seem likely to be imposed in a Salt-2 treaty upon the long-range Cruise missile.

Mr Paul Warnke, the chief American Salt negotiator, disclosed these proposals at a meeting of Nato's permanent representatives in Brussels last week. If codified in Salt-2, they would limit the range of air-launched cruise missiles to 1,500 miles and, more significantly, would keep the sea-launched and ground-launched ones to only 375 miles.

Britain has still not made up its mind about whether it wants to invest in long-range Cruise missiles anyway. It has a strong interest in keeping open the

options, one of which might be a submarine-launched Cruise missile force to succeed Polaris as the country's strategic deterrent. But a 375-mile range would not be far enough for this.

Meanwhile, the Germans have an interest in a ground-launched system which could respond to the threat from the Soviet SS 20 missile system or the Backfire bomber. For these reasons they, too, are expected to put their views forcibly to Mr Brown tomorrow or on Wednesday.

Official sources were at pains to play down the extent of European feeling after today's meeting. The Eurogroup chairman, Mr Paul Sogard, Denmark's Defence Minister, refused to comment when questioned at an official press conference.

Sources said the discussion among Europe's defence ministers ranged over the neutron bomb and the transfer of technology between the United States and Europe. They emphasized that what took place was only an exchange of views and was in no way an attempt to reach a consensus.

But one Nro observer described the exchange of views as one of the most far-reaching for many years. Although other countries, like Britain, still

have to make up their minds about the range of weapon systems now under development, they would like to have the options kept open for three more years so they can at least complete their studies.

It is generally assumed that Britain for one could develop a cruise missile of its own without American help. But United States' technological aid would speed the process and result in a more accurate weapon.

Moreover, Britain could not seriously consider developing a system which breached a Salt agreement, even if it was not a direct party to the terms.

There was also some impatience at today's meeting with the slow progress made by the European Programme Group which was started two years ago with the object of helping to sell European equipment to the two North American allies.

The group, which includes France, has succeeded in working out four main areas where Europe could supply more arms. These include tank ammunition, tactical combat aircraft for the 1980s, minehunters and anti-tank weapons.

Moreover, a dialogue has now started with the Americans through the Nato conference of national armaments directors. But some members would like to see both sides get a move on.

## King Juan Carlos receives Communist leader

From Our Correspondent

Madrid, Dec 5

King Juan Carlos received Senator Santiago Carrillo, the Communist leader, today in the Zarzuela Palace. The audience appeared to be a sequence of events. Carrillo, some time ago and it was the first time that a Spanish head of state had received a Communist leader since before the civil war.

The meeting was in line with other audiences which the King had accorded to political leaders. The fact that Senator Carrillo was the last to be received underlined the sensitivity which still exists in the military over the Communist Party.

Senator Carrillo has publicly declared support for the king on many occasions, although his party continues to favour a republic. The audience can be expected to enhance the position of Senator Carrillo, who has been a vocal supporter of the king since he was legalized last April to show his democratic principles.

It was learnt today that the King met the Archbishop of Madrid, Cardinal Enrique y Tarazona, last week to discuss the position of the Roman Catholic Church. The cardinal had complained bitterly that the new Spanish constitution proposed to declare the country a non-confessional state.

Left-wing political parties were also in the area. A group called a strike for tomorrow to protest at the killing of a youth during a demonstration in Malaga yesterday in favour of autonomy.

Senator Manuel Jose Caparros, aged 19, died when the police opened fire on a group of demonstrators who, according to an official statement, "confronted a platoon of police who with their riot equipment used up found it necessary to use their force."

The youth was a member of the Communist trade union organisation, the Workers' Commissions. Another person was shot in the arm and 22 policemen were injured.

Altogether more than a million people took part in demonstrations throughout Andalusia yesterday demanding autonomy. In Galicia, in northern Spain, while negotiations are going ahead for Basque people took part in similar demonstrations, about 500,000 people took part in the Catalan autonomy and the Catalan Government, the Generalitat, has been reestablished. Galicia and Andalusia are way behind.

Senator Josep Terradellas, the President of the Generalitat, was due to announce the composition of his government later today based on the results of the general election in Catalonia where the Socialists and Communists won most of the seats.

Malaga, Dec 5.—Senator Francisco Cabrer-Lopez, the president of the Malaga Provincial Assembly, resigned today in connection with the shooting. Hundreds of wreaths were placed during the night at the scene where Senator Garcia Caparros was shot.—A.P.

## French broadcasting monopoly ruled illegal

From Ian Murray

Paris, Dec 5

The state broadcasting monopoly has been successfully challenged in the courts. Although the legal process still has a long way to run, a pirate radio station in Montpellier has won the first round in a fight aimed at changing the established system of state-run radio and television.

The pirate radio involved is in no way like the dozens of clandestine radio stations which have sprung up over France recently. It was a proper organisation in its own right, installed in a tower block in the new area of Montpellier.

Two of its main directors are a former radio journalist and a lawyer, M François Chasseing, and M François Delmas, the city's former mayor, who is a member of the Central Committee of the Republican Party and also a lawyer. They helped to set up the station deliberately to force the broadcasting authority, Télédiffusion de France (TDF), into the courts.

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## Book 'explodes Holmes myth'

From Our Correspondent

Geneva, Dec 5

After 4 years of research, Dr Henri Muxaux, a criminologist and former police chief, has produced a book designed "to explode the Sherlock Holmes myth".

Dr Muxaux, who now lives at Sion, claims in the book that Holmes's creator, Sir Arthur Conan Doyle, drew his inspiration from a real detective, a former police officer, and a number of other authors, including Edgar Allan Poe, Emile Gaboriau and Victor Hugo, as well as having recourse to the memories of French and Swiss police officials.

The book is published by Grasset and the title can be translated as *Sherlock Holmes, King of the Tricksters*.

## Baader-Meinhof survivor on hunger strike

From Our Own Correspondent

Berlin, Dec 5

Imgrid Müller, the terrorist who survived the apparent suicide pact in Stammheim jail on October 18 has been on a hunger strike for two weeks, the Baden-Württemberg Minister of Justice disclosed today.

Her lawyers said that she is demanding to be put in a cell with or near a comrade, Verena Becker, who is on trial on six charges of attempted murder.

Two prison doctors certified that Frau Müller was unfit to give evidence today to a parliamentary committee investigating the suicides of the other three members of the Baader-Meinhof gang, Andreas Baader, Gudrun Ensslin and Jan-Carl Raspe.

## Lip workers form company and make five-year plan

From Our Own Correspondent

Paris, Dec 5

After 19 months of occupation of their factory at Besançon, the workers at the bankrupt Lip watch factory have formed a new company with an initial capital of 100 million francs (£14,000) divided in shares among the 485 workers.

The new company, in the form of a workers' cooperative, was registered last week. Over the weekend the public were invited to the factory to hear about the way it would be run.

There is a five-year programme mapped out, beginning with taking in clocks and machine tools for maintenance. Later the cooperative plans to start producing work and, still later, to manufacture its own products.

Parallel to the new company an "association of friends of Lip" has been formed to help to organise support and finance for the project. Beginning with the distribution throughout France of half a million copies of a paper explaining the Lip predicament.

According to M Jean Rapin, union leader at the plant, the workers decided to form the company because it was now apparent that the public authorities would do nothing to restart the factory.

But the bankruptcy order on the Lip company was confirmed. There have been several skirmishes since then between the workers and the police, as well as attempts to cut off the gas and electricity supplies to the plant.

## Gaullists put forward policy guidelines

From Charles Hargrove  
Paris, Dec 5

The anniversary of the launching a year ago by M Jacques Chirac of the Gaullist *Rassemblement pour la République* (RPR) at a rally in Paris, coincides with the publication this morning of its "objectives for France" the movement's policy guidelines for the next five or 10 years.

After a period of doubt and difficulties, the Gaullist movement is raising its head and asserting its personality and presence. An opinion poll in the weekly news magazine *Le Point* shows that it is consolidating its position among people voting for the Government coalition.

M Jeanne Monod, the Secretary-General of the RPR, won out of his way to emphasise, at a press conference this morning, that these Gaullist objectives were put forward in a spirit of loyalty to the Government majority. There was no contradiction whatever between the objectives which were soon to be published.

They emphasize the originality of the Gaullist movement in accordance with the pluralism recommended by President Giscard d'Estaing last January.

M Monod said the essential question was whether it would be possible to preserve the achievements of the Fifth Republic.

The Gaullist propositions call for a restoration of the authority of the state, along with a strengthening of democratic control through greater participation of workers in industry, and of citizens in local affairs. They also emphasize the right to work and propose fighting unemployment through a policy of growth and inflation, greater freedom for industrial enterprises, reasonable taxation and protection for French agriculture. Other objectives include the defence of French independence through a sustained defence effort and the construction of a European Europe.

The Gaullist movement will produce in January more detailed proposals. On the policy if the present coalition is returned to power in the March elections and the Gaullists are confirmed as its strongest element.

M Monod said the party was the leading political movement in France. Its membership had doubled to nearly 550,000 and it had set a target of more than 600,000 for next March. Its leadership had also seen a renewal of energy.

"The Gaullist Party" reclaims that it represents 25 per cent of the electorate, he said, in coming months. It would concentrate its efforts on women young people and the workers by extending its cells in industrial firms from the present 600 to 1,500 by March.

## Italian airline strike

Rome, Dec 5.—The Italian airline Alitalia cancelled 33 international and 13 domestic flights today because of a 12-hour strike by cabin staff.

Three men armed with clubs, chains and a shotgun last night attacked two local residents, seized the gun of a policeman and threatened and fired at a bar, wounding the youth.—Reuters.

## Jubilee symphony will be performed unfinished

By Martin Huckerby

Music Reporter

The new symphony by Malcolm Williamson, the Australian composer, and Master of the Queen's Music, has not been completed in time for its premiere at the Festival Hall before the Queen on Thursday, and only three of the four movements will be performed at the concert.

Mr Williamson explained yesterday that although he had planned his Symphony No 4 as an 18-minute work, it had grown under his hands until it had become "an enormous work" lasting more than half an hour.

He has been staying in the Camargue, working with little

sleep to complete the work, but the orchestration of the first movement has not been finished.

The London Philharmonic Orchestra will see the score for the first time today and rehearse the work under Bernard Haitink each day until the concert.

Similar difficulties affected the premier of Williamson's *Mass of Christ the King*, which had to be performed incomplete earlier this year.

The symphony, dedicated to the Queen, was commissioned for the jubilee. It is a highly complicated work: the strings, for instance, are divided into 14 parts instead of the usual five.

## Farmers state case over 'dangerously low' prices

By Our Agricultural

Correspondent

Farmers' leaders said yesterday that the Government's latest attempt to shield the beef industry from dangerously low prices was inadequate. They said also that ministers had failed to safeguard the pig trade against cut-price competition that threatened the livelihood of British producers.

They were speaking at the start of two days of talks at the Ministry of Agriculture, Fisheries and Food the beginning of their negotiations for the 1978 farm price review. Their team was led by Sir Henry Plumb, president of the National Farmers' Union, and the deputy

president. The Government has tried to stabilize the cattle market by ending its ban on sales of medium steers into EEC intervention stores. That will increase the potential for a British beef "mountain".

The farming unions insisted yesterday that the move merely avoided the central difficulty of farm prices depressed by the Government's use of the "green pound", with which EEC farm prices are expressed in sterling. Their case was strengthened by publication of a report from Exeter University which showed that the proceeds of dairy farming in south-west England were lower than 10 years ago.



## OVERSEAS

## Seven blocks of territory form the second independent homeland with that made-in-Pretoria look

From Nicholas Ashford, Mbababo, Dec 5

As midnight struck on the clock tower in Mafeking, South Africa tonight launched its second tribal homeland, Bophuthatswana, as an independent state, the accompaniment of a 101-gun salute.

In so doing, South Africa surrendered sovereignty over separate pieces of land whose total surface area is the size of Switzerland and with a population of 2,500,000 Tswana-speaking people.

The birth of the new nation which will go unrecognized by the world at large, as did the independence of Transkei a year ago—took place in a hastily-erected stadium made of steel scaffolding situated on the outer fringes of the Kalahari Desert. The independence stadium is the largest edifice in the nation's new capital, called Mmabatho, just outside Mafeking.

Six months ago Mmabatho was a virgin bush. Now, in addition to the stadium there is a new maroon and yellow parliament building, a cluster of new houses for the President, Chief Lucas Mangope, and his ministers, a new luxury hotel-casino and a garage offering "farm fresh petrol". And that is all apart from a sea of grey brown tents, looking like a poor man's Persopolis, which provide temporary accommodation for the 19,000 Tswanas attending the five-day independence celebrations.

The whole event was reminiscent of Evelyn Waugh's *Scoop*.

A presidential salute fired by South African field guns earlier in the day caused cows grazing in the fields around the parliament building to bolt in panic. The Tswana official in charge of the press seemed to take delight in telling journalists that they would not be allowed to attend most of the independence functions and refused to release names of invited guests for "security reasons".

The programme of the independence celebrations was almost exactly the same as was followed in Transkei. During the day there was a football match in the stadium followed by traditional dances and a gymnastic display.

Shortly before midnight, Chief Mangope and Dr Diederichs, the South African President, arrived for the formal transfer of power. The South African tricolour was lowered and replaced by the Bophuthatswana flag, a red diagonal stripe on a blue ground with a leopard's head in the top corner. Members of the new Bophuthatswana national guard and the South African presidential guard presented arms, national anthems were played, guns boomed and an independence flame was kindled.

In his address, Chief Mangope was strongly critical of South Africa's race policies and described the fragmentation of Bophuthatswana into seven separate pieces as a "territorial credibility gap".

Independence, he said, meant that "we are no longer helplessly at the mercy of the arbit-

rary arrogance of those who, until this hour, trampled our human dignity into the dust". However, he urged Tswanas "not to inflict on whites what we have been inflicting on them for centuries".

On the issue of Bophuthatswana's fragmented land area, he said that "wicked non-consolidation has dealt a cruel and deadly blow to our independence. Just as it is born, our independence has already fallen into a fatal credibility gap—the territorial credibility gap, which bears the stamp 'Made in Pretoria'".

Chief Mangope also attacked the Bantu education system, called for correct relations with our former colonial master and suggested that Bophuthatswana's independence could be a stepping stone to a federation embracing all of South Africa.

Among those present to hear Chief Mangope's independence address were Chief Kaiser Matanzima, the Transkei Prime Minister, and the chief ministers of the Ciskei and Venda homelands. Chief Lennox Sebe and Chief Patrick Mphahlele, Ciskei and Venda are expected to be the next homelands to become independent.

Like Transkei, the world regards Bophuthatswana as a "child of apartheid" and for that reason it is unlikely to receive any form of international recognition for years to come.

For a start, it has no seaboard of its own. Its seven pieces are entirely surrounded by South Africa except for one area which borders Botswana. All its trade and communications have to pass through the white republic.

At present over half the population lives permanently outside Bophuthatswana's borders and few have shown much interest in settling there.

On the question of citizenship, Chief Mangope seems to have negotiated a slightly better deal than did Chief Matanzima in Transkei although the matter is still somewhat ambiguous. It is not clear, for instance, what residential and business rights in urban areas in South Africa, but as happened to the Xhosa-speakers when Transkei became independent, the Tswanas will find themselves automatically deprived of their South African citizenship and becoming Bophuthatswana citizens instead, whether they wish to or not.



Men of The Royal Regiment of Fusiliers sort out their kit after arriving in Bermuda.

## Troops arrive in Bermuda with their own philosophy

## A soldier finds himself far flung in the remnants of the Empire

From Michael Leapman, Hamilton, Bermuda, Dec 5

No matter how many obituaries are written on Britain's imperial role, there are bits of it that refuse to go away. There is always some part of the globe that calls for the presence of British armed might at a moment's notice to do a niggling bit of civil disorder.

Whether it is Aden, Northern Ireland, Cyprus, Anguilla, or, in this case, Bermuda, the chips bring with them a refreshingly simple philosophy, articulated yesterday by Major John Varley of The Royal Regiment of Wales, soon after he and his men stepped from their aircraft. He said he "had heard the rioters and arsonists in Bermuda were rather young."

A little more show of a disciplined body of men will be rather like having their parents start to discipline them," he declared.

Major Varley's 80 men, many themselves still in their teens, were the first to arrive last night. They had come from Belize where, for the moment, there is a slow season for peace-keeping. The other 180 men of The Royal Regiment of Fusiliers came in two aircraft from RAF, Brize Norton, Oxfordshire, a few hours later.

It was a deeply impressive arrival even if the sense of colonial grandeur was diminished by British troops having to fly into an American naval air base, the only suitable military facility on the island. The chubby and cheer-

ful base information officer, called with little warning from a relaxing day by the pool, fussed about in his Bermuda shorts, organizing emergency use of coffee and Kool Aid, a soft drink for his Nato allies.

For Commander David Aldrich, a naval officer who is the senior British serviceman in Bermuda, it was also a rare weekend visit. Usually, with only 10 men under his command, he can come on untroubled duty hours.

But this was an emergency as was indicated by the purposeful way in which the fusiliers trooped smartly off to the airport in the balmy night, setting their faces that little more firmly when they came within range of the television cameras. They looked like a football team coming on to the field for a cup tie except that they wore camouflaged battle-dress and black berets with red and white plumes they call "cuddles", earned by defeating the French at St Lucia in 1778.

All this intrigued the American correspondents who are reporting this skirmish in as large numbers as the British. Most of all they took to Lieutenant-Colonel David Beller, commander of the fusiliers, whom they saw as an archetypal British officer from the best kind of war films.

Indeed, with his lean, spare appearance, his clipped accent and, most of all, his neat military moustache, he might be suspected that he was chosen for this mission as much for his bearing as for his undoubted military skills.

Although not fully briefed

on the role of his men, he said he assumed, on the basis of his experience in Northern Ireland (seven tours) and other trouble spots, that this was another sort of meat-and-potatoes situation. The troops would take their cue from local police and politicians and use only the level of force the situation demanded. He exuded confidence, competence and calm.

While the commander went off for high-level talks, his men climbed into pink school buses and headed for Warwick Camp, where most of them will be billeted. The Bermuda Regiment, who are normally there, have been moved into a hotel, which was closed to tourists on Friday after a fatal fire.

The British forces have brought with them all they need from their own Land Rovers and rubber bullets to a public relations man flown out specially from the Defence Ministry. It will be something of a let down if they are required to do nothing but sit on the beach, deterring further disturbances by their mere presence. Last night's lack of serious incidents suggests this could happen.

Ideally, while no one was un-military enough to admit it, a stay of about a fortnight would be most convenient. This would get the men home in time for Christmas, but would mean they missed a stint of London firefighting due to start on December 20.

For a soldier, even for a soldier of a declining imperial power, life is full of surprises.

Leading article, page 15

## S African church 'persecuted'

Johannesburg, Dec 5.—The Anglican Bishop of Johannesburg, Dr Timothy Bavin, today accused the South African Government of persecuting the Church.

The Bishop made the accusation in a statement on the arrest last week of two Anglican priests, the Rev Geoffrey Moselane and the Rev Stephen Mosele.

The arrests followed the announcement on Friday of an inquest verdict clearing the South African security police of blame for the death in prison of Steve Biko, the black activist.

In his statement, the Bishop referred to the Government's landslide victory in the general election on November 30. He said: "It is hard not to react with anger, hatred, bitterness and despair when the first action of a newly-elected government is to persecute the Church of God."

But the Christian may not give into these feelings and his prayer or concern will be not only for those who are being detained, together with their families, but also for the souls of those who wield power without respect for a God of love and regard for common human decency."—Reuter.

## Shah begins a state visit to Oman

Muscat, Dec 5.—The Shah of Iran arrived here today on his first visit to Oman.

The Shah, who sent troops to help Oman suppress a left-wing rebellion in southern Dhofar province, was greeted by Sultan Qaboos bin Said at the start of a four-day state visit. Omani officials said formal talks between the two leaders were not likely to be held until Wednesday. Tomorrow they will visit Salalah, capital of Dhofar province.

Although the 10-year insurgency was officially proclaimed over about two years ago, Iran still maintains a fully staffed brigade headquarters in the province and could quickly send reinforcements.

With the Sultan's forces now firmly in control of the province, the Dhofar situation is not expected to figure prominently in talks between the two leaders. They are more likely to be concerned about the situation in the Horn of Africa.—Reuter.

## Murderer is beheaded

Amman, Dec 5.—A Saudi Arabian was beheaded by the sword in the main square of Jeddah today after being convicted of killing six people, Riyadh radio reported.

Hassan Muhammad al-Hassani shot six people dead last Friday, including his mother, and wounded five neighbours, the radio said.—Reuter.

## Ten die in attacks by Rhodesia guerrillas

From Our Correspondent, Salisbury, Dec 5

A white farmer has been murdered by guerrillas in the Cachel district of Eastern Rhodesia. He was Mr Johannes van Marrewijk, a 40-year-old father of three.

His death brings to 115 the number of white civilians killed by guerrillas during the five-year civil war. More than 1,200 black civilians have died in the same period.

Combined operations headquarters also announced that nine blacks, including a head man, his two wives and his daughter, had been murdered by guerrillas who entered south-western Rhodesia from Botswana. Guerrillas also launched an attack on a farm in the Wedza district halfway between Salisbury and Umtali, but were driven off when the occupants opened fire on them.

A spokesman for Mr Joshua Nkomo, co-leader of the Patriotic Front, today denied reports here that moves were being made to persuade him to break with Mr Robert Mugabe, the other co-leader, and return to Salisbury to take part in the internal settlement negotiations, which are due to resume on Friday.

Mr Willie Musururwa, the Nkomo faction publicity secretary, reiterated Mr Nkomo's determination to take Rhodesia by force.

Salisbury, Dec 5.—A black policeman who ran amuck in a black township of Bulawayo last night shot 13 people dead and wounded 16 others before being killed by his colleagues, a police spokesman said today. Five children were among the victims of the policeman, who was not immediately identified.

Our Defence Correspondent writes: Important changes in Rhodesian policy towards Africans will be required by the Rev Ndabengzi Sithole, the Rhodesian nationalist leader, as part of the sincerity of Mr Sithole, the Prime Minister, in proposing adult suffrage.

"I don't know if he is sincere or not sincere. We are prepared to test him." Mr Sithole said at a news conference in London yesterday. "We can only do this by making the claims of the African people as firmly as possible."

Mr Sithole, who discussed his plans with Dr Owen, the Foreign Secretary, when they met on Sunday, said the Foreign Office again yesterday and will see Lord Carver, the British Resident Commissioner, tomorrow.

The test would be if Mr Sithole lifted the ban on political parties, released political prisoners, improved conditions in the so-called protected villages, ended the ban on African literary works and granted an amnesty to exiles, Mr Sithole said.

Mr Sithole said he was not laying down conditions, but wanted to find out what Mr Sithole had in mind by adult suffrage and self-government for the white population. A veto of the minority over the majority was not acceptable, Mr Sithole added. The discussions must be in the framework of the Anglo-American proposal.

Dr Owen, the Foreign and Commonwealth Secretary, indicated this to MPs yesterday when he replied to strong Labour backbench criticism of the Foreign Office's attitude to Rhodesia.

Dr Owen agreed that the present position left the British Government in a serious dilemma and that this might have to be considered by the House. There were other colonial territories besides Bermuda which might not reach independence for many years.

In the aftermath of the execution in Bermuda last week the House of Commons may be given the opportunity to decide whether colonial territories should still retain the death penalty when capital punishment has been abolished in Britain.

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## MPs may vote on colonial death penalty

By Hugh Noyes, Parliamentary Correspondent, Westminster

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## Stones thrown at Frasers in election tour

Melbourne, Dec 5.—Mr Fraser, the Australian Prime Minister, and his wife, were pelted with stones during an election rally here tonight.

Mr Fraser was also hit on the head by a big placard protesting against sales of uranium as he walked from the rally. It was the second time in three days that Mr Fraser had encountered violence in his election campaign.

On Saturday he and his wife were pelted with eggs and hit with placards in Sydney.—AP.

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## Lance bank asks for its shares to be suspended

From David Cross, Washington, Dec 5

The Federal banking authorities today ordered a temporary suspension of trading in the stock of the National Bank of Georgia, much of which is owned by Mr Berry Lance, the former Director of the Office of Management and Budget.

The suspension, which was announced by Mr John Heimann, the Comptroller of the Currency, was in response to a request from the bank. There have been considerable fluctuations in the value of the stock in recent days after reports that Mr Lance, who left Washington under a cloud a few months ago, is negotiating to sell some 200,000 shares he owns.

According to The New York Times, Mr Lance is negotiating to sell his shares to a group of Middle East businessmen.

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## West Bank mayors criticize Mr Sadat

From Edward Mortimer, Ramallah, Dec 5

A memorandum criticizing President Sadat's visit to Israel and expressing full support for the Palestine Liberation Organization (PLO) has been distributed to all foreign consulates in Jerusalem in the past few days. It is signed by 18 mayors and two deputy mayors of towns in the occupied West Bank and some dozens of "notables" and associations.

Of the mayors of the main towns in the West Bank only Mr Elias Freij, the mayor of Bethlehem, has not signed the memorandum though his deputy has.

The mayors, who have been frequently mentioned in recent months as possible representatives of the Palestinians at the Geneva peace conference, insist in the memorandum that they will not go there as substitutes for the PLO, and declare themselves "against any voice or anybody who is planning to find a new leadership to replace the PLO."

Mr Karim Khalaf, mayor of Ramallah and one of the main organizers of the memorandum, told me today that he personally would not go to Geneva even if the PLO asked him to. "I am not the representative of the PLO. The PLO is our representative," he said.

Mr Khalaf also accused President Sadat of "playing a game with the United States against the PLO by creating a new leadership to replace it."

But some other signatories of the memorandum take a more cautious view. For instance, Mr Fahad Qawasmeh, the mayor of Hebron, told me he thought so, but would not go to Geneva even if the PLO asked him to.

Mr Qawasmeh gave several reasons for opposing President Sadat's visit, but went on to admit that it had also brought some benefits. "No one can say in the future that the Arabs do not want peace," he said.

Nothing more could now be asked of Arabs, and then for President Carter would move power to put pressure on Israel.

It was natural, Mr Qawasmeh added, that Syria and the PLO should refuse the visit, "but they won't refuse the result if he can get a good result."

He even thought that the criticisms from other Arab states could help Mr Sadat to get results, by putting extra

pressure on the Americans and Israelis to show that the visit was a success. "If Sadat can succeed, all of us will be with him."

In that at least, almost everyone on the West Bank would agree. While Mr Khalaf claims that 58 per cent of the population support the PLO, a more neutral observer suggests that 80 per cent of them support President Sadat.

Mr Khalaf's claim is certainly exaggerated. The PLO's popularity has declined from the peak it reached a year or two ago, partly because it has failed to achieve any concrete results and partly because its leadership seems unable to decide on a clear political line. People criticize, for instance, the fact that Mr Yasser Arafat, the PLO leader, at first appeared to support President Sadat's initiative but later condemned it.

The great and unanimous desire on the West Bank is to be rid of the Israeli occupation. All of them would desperately like to see Mr Sadat succeed in achieving the kind of peace he described in his speech to the Knesset, with full Israeli withdrawal from all the occupied territories, including Jerusalem, and recognition of the Palestinians' right to an independent state.

But support for Mr Sadat is clearly conditional on his achieving something for the Palestinians: if he fails to obtain Israeli withdrawal, or settles for a separate Egyptian peace, there will be bitter disillusionment. And support for him is not yet incompatible with support for the PLO.

In fact, most people in the area would like to see the PLO and Mr Sadat reconciled, and many are apprehensive that the PLO is getting pushed into an extreme position and is in danger of excluding itself from any settlement that is reached.

Mr Qawasmeh, for instance, says that accusations against Mr Sadat serve no purpose. "We should go back to Arab unity," Saudi Arabia and the Gulf states, he thinks, should take the initiative in calling a new summit to avoid the division of the Arab world.

Today, Mr Begin, President Assad of the PLO, I should ask for this conference, because if we divide the Arab world we lose everything. . . . There can be no peace without Egypt and also no war without Egypt."

## Begin pledge to fight for Soviet Jews

By Robert Parker

Mr Begin, the Israeli Prime Minister, last night said that until every Jew who wanted to leave Russia was allowed to do so, there would be no let-up in the worldwide campaign to free them.

Mr Begin addressed his statement "to the rulers of the Kremlin" while speaking at a synagogue in St John's Wood, London, to about 2,500 people.

Mr Begin, who went to the synagogue amid stringent security precautions, was on the first day of the unofficial part of his visit to Britain. His official visit ended on Sunday night.

During the service, he was introduced to several Jews who have recently left the Soviet Union. He said he felt a new era of Jewish history was dawning, and foresaw the time when every Jew and his children and children's children can live unpersecuted and in peace.

Mr Begin lit the second of the eight Chanukah candles, Chanukah being the eight-day festival celebrating the recapture of the Holy City and its Temple more than 2,000 years ago.

The lighting of the second candle marks the beginning of a week of campaigning to bring pressure on Moscow.

Earlier in the day Mr Begin met leaders of the Jewish community from all over Britain. He was told by Lord Fisher, the president of the Board of Deputies of British Jews and the National Council for Soviet

Jewry, that there was full support and enthusiasm for his peace initiative in the Middle East.

Mr Begin also had tea with Mr George Thomas, the Speaker of the House of Commons. It was a private meeting.

Today, Mr Begin will be meeting MPs who are sympathetic to Israel, and later on will see Mr William Whitelaw, the deputy Opposition leader. He will be leaving Britain tomorrow.

Arrest move fails: An attempt by the National Front to have Mr Begin arrested for the murder of two British soldiers in Palestine in 1947 failed yesterday.

For his arrest was turned down by a magistrate sitting in chambers in Bristol. But Mr James Sawyer, a National Front member who sought the application, said he would not be giving up. He would seek legal advice about his next move.

Reception criticized: An Israeli newspaper has sharply criticized the official reception extended to Mr Begin on his arrival in Britain on Friday, saying it bordered on the vulgar.

Our Tel Aviv Correspondent writes: A Foreign Ministry source in Jerusalem said today Israeli delegates to the Cairo talks will not be empowered to negotiate precise peace borders or military issues but only to establish the nature of an overall peace settlement. The delegation will not include a military man.

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Drawings by Yoshitoshi, the Japanese print-maker and illustrator, one of the last of the popular ukiyo-e school, form a















# The money shaver.



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Or better still, start dropping hints about Christmas to your wife.

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**The rechargeable shaver at a mains shaver price.**











Bernard Levin

# Shame: why did Cheekykaffir have to die and spoil the fun?

I reported here a couple of months ago on the case of John Cheekykaffir, the South African black leader who was just about to be prosecuted for damaging several valuable police truncheons (by striking them repeatedly with various tender parts of his body) when he died, much to the regret of the policemen wielding the truncheons who, in the words of the Minister of Justice, Mr Sijmbo-Goring: "Hadin't had so much fun since they burnt down the Koffiefontein synagogue".

At the time I wrote, my readers may recall, the inquest had not yet been held, and Mr Sijmbo-Goring's disclosure of his findings to the effect that Cheekykaffir had committed suicide while the balance of his mind, and indeed of his skull, kidneys and genitals, was disturbed, was therefore, as he was careful to point out, only provisional. "When", he said, "the inquest is finally held, and the Prime Minister (Mr Van der Stoep) and I are working assiduously to find some means of avoiding it altogether—fuller details will be made available, including the magistrate's findings, that the two policemen who killed him should be compensated by the surviving members of his family (we're working on the problem of their survival, of course) for the distress caused to them by Cheekykaffir's self-inflicted just when they had found a lovely new way of poking his eyes out".

The inquest was, as readers will know, concluded last week, and the magistrate, a Mr Mosley Bum-Hack, recorded his findings thus:

I'm very glad about the wonderful election result here. Many of us South Africans are getting pretty sick of criticism from the rest of the world. I tell you, many of us don't mind their own business, eh? I mean, they're always complaining about how we don't treat the blacks so good here. Now you and I know that if I sent a couple of big policemen out into the street right now to ask a passing black man how he liked it here, they would come back five minutes later and report that he had said he liked it fine. Anyway, the bastards—breed like rabbits. And another thing, man. How would you like one of them marrying your daughter, eh? And don't tell me that's not what they are after—I know better. Don't give me that Christianity stuff, either—what was the Pope's name before he changed it to Montini, eh? Mendelsohn, that's what you always tell me by the frizer hair. Case dismissed.

Mr Sijmbo-Goring, the Minister of Justice, said after the verdict that he was very glad to have been vindicated in so striking a manner, particularly since the policemen who had actually killed Cheekykaffir had been vindicated in an even more striking manner.

"While I'm on the subject", he added, "I want to clear up a misunderstanding. It has been widely reported that when I heard of Cheekykaffir's death I said 'It leaves me cold'. I would like to make it clear that I have been misrepresented over this, though I think it was the result of a genuine mis-hearing. What

sounded like 'It leaves me cold', was actually 'I am deeply, nay profoundly distressed to hear of the death of this man in captivity. Of course, a full and searching inquiry must be carried out at once, and I shall leave no stone unturned to see that, if anything improper occurred, those responsible will be brought to book. We white South Africans have our differences with our black brethren—the bastards breed like rabbits, for a start—but I would never condone any ill-treatment of them. In fact, I'll laugh—and indeed I regard them as my own children, which is hardly surprising, since several of them are. But what I really want to stress is that it is the duty of every decent South African to vote Nationalist in the election'.

That it was generally agreed, cleared the matter up completely. At least, it was agreed among all right-thinking persons, but the depraved and revolting Donald Woods (editor of the *no less depraved and revolting Daily Dispatch*), was, naturally, not content even with so comprehensive an explanation, and went on inconveniently revealing that the Minister of Justice was a liar and an accessory after the fact, until he had to be "banned". (This, as the Minister explained, was only a temporary measure; the banning order would be lifted as soon as Mr Woods's suicide had been arranged by the police.)

Another insatiable critic was the horrid Jewish lawyer, Mr Sidney Kentridge, who appeared for the Cheekykaffir family at the inquest, even though it had been carefully

explained to him in advance that in the matter of Cheekykaffir's death no blame attached to anyone except the dead man himself, his family and Donald Woods. Alas, some people are never satisfied, and Kentridge insisted on cross-examining various witnesses at the inquest, including the chief medical witness for the state, Dr George Auschwitz-Syringe.

Dr Auschwitz-Syringe, who agreed that he had been affectionately known since his student days as the Hypocrite Oaf, said that he had been called to Cheekykaffir's cell in the middle of the night, when he found him lying on the floor in a pool of blood, with three policemen standing on him. Examination revealed that he had a ruptured spleen, fire-broken ribs, a punctured ear-drum, extensive brain-damage, bullet-holes in his knees and a nasty cold. Asked what treatment he had given, Dr Auschwitz-Syringe said he had suggested plenty of orange-juice.

And what about the rest of his condition? "Oh", said the doctor, "I gave him a bang over the head to teach the bugger that he is so cheeky another time". Roars of applause greeted this reply, which left the loathsome Kentridge, as may be imagined, entirely nonplussed.

Matters hardly went better for him when he was asked to ensure that the policemen who had actually killed Cheekykaffir be given the attendance, as witnesses, of the Minister of Justice, Mr Sijmbo-Goring, and of the head of the South African security services, General Jack Boots. The

applications were refused, as was a similar demand for the production of the local police chief, Colonel Proudly-Skautika. "These are very important and busy men", said the magistrate, "and anyway, what would be the point of calling them? All the necessary lies will be told by the doctors, the policemen and me—what more do you want?" But, protested the adroit Kentridge, at the very least Colonel Proudly-Skautika should be called, as there was reason to suppose that it was he who had held Cheekykaffir's arms while he was being clubbed. "Well, Good God, man", exploded the magistrate, "somebody had to hold him, surely?"

After this, the policemen themselves had little difficulty in answering Kentridge's ridiculous questions. Asked how their fingerprints came to be on the handle of the truncheons, to the other end of which bits of Mr Cheekykaffir's brain were adhering, they replied: "We've no idea". The laughter that greeted this reply had hardly died away when the other called it by adding: "Neither have I". Further questioning was then stopped by the magistrate, who said that asking the witnesses just what had happened while they held Cheekykaffir in their custody was completely irrelevant to the case. "I must remind counsel", he said, "that we are here for the purpose of ensuring the maximum vote for the Nationalists in the election". Then he delivered his findings, as quoted above, and the case concluded. So did Cheekykaffir, come to think of it.

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James Reston interviews President Carter at the end of his first year in office

## Why the Carter charisma is wearing thin

Washington President Carter is coming down to the end of 1977 in a philosophical mood—surprised by the endless complexities of foreign and domestic affairs, disappointed by the opposition to many of his national programmes, but confident that he has established a solid foundation for substantial progress at home and abroad in 1978.

In an interview with *The New York Times* in the Oval Office, he talked about the Congress, the press, the influence of religion on history, his decline in the popularity polls, and why even his most loyal supporters seem vaguely puzzled and troubled by his leadership at the end of the year.

Looking back on 1977, he said, there was obviously a problem. "This country has been through such an ordeal in the last five or 10 years", he said, "that it is still in a healing stage—Vietnam, CIA, Watergate. It really shook the American people and their confidence in government. I don't think there will be a complete restoration of their confidence until proof is not only complete but extended over a period of time. And I am trying to do the best I can to restore that confidence."

"I think we just have to go through a long period in the minds of the American people before they can accept the fact that they can trust the American government again."

The President, who looked a little weary but sounded confident, also made these points:

● Foreign Affairs: He said he expected real progress in 1978.

"I think we will have a SALT II agreement. I think we will have a comprehensive test ban. I think we'll have an agreement on the Indian Ocean. We will have major progress towards peace in the Middle East. I think we have a good chance the Rhodesian and Namibian questions will be resolved. I think the Panama Canal treaty will be ratified."

● Domestic Affairs: He was more cautious in his predictions for 1978 about the home front.

"We will have completed the work, I believe, on an energy package. We will have good progress made on welfare reform. We will have the business community with a much clearer concept of what our economic goals are. We will have continued good progress in recovery from the 1974-75 recession. Our economic growth won't be at quite as high a rate as we have now, but it will be one of the best in the world. So I have a feeling about 1978."

● Personal affairs: "I feel at ease. I feel good. I pace myself very carefully. I don't work any harder as President. I don't worry any more as President than I did as governor or as a candidate for President. I enjoy the job, and (in a reference to his friend, Charles Kirbo's observation that the President looked tired and older the other day) I think anybody ages, including Mr Kirbo. I doubt if I have aged any more than he has."

Carter was asked to explain the paradox that even the people who voted for him seem vaguely puzzled by his leadership at the end of the year:



Mr Carter: Little hostility but little enthusiasm either.

No great hostility in the country, but no great enthusiasm either. This was clearly not his favourite subject, but he replied, as if the question really did not have much to do with him personally, and also as if maybe no great hostility and no great enthusiasm might be precisely what the country needed after all the presidential hoopla of recent years.

There were a number of reasons for this lack of popular excitement and for his decline in the popularity polls, which he made clear, did not surprise him. He was new on the national scene, never having served in the federal government until he came into the White House. He did not have a congressional track-record, he added, was not well-known to the news media figures, and had not met most world political leaders until this year.

But these, he insisted, were

not the main reasons for the doubts and confusions in the public mind. In the past, he said, the basic question in people's minds was the relationship between the United States and the Soviet Union, and a President could excite the public or please the public or have the public concerned simply because of his demeanor towards the Soviet Union. The President emphasized two points about this: he had brought a great many more international problems to the fore—the problems of human rights, racial tensions in Africa, economic conflicts with Japan and other countries, political and philosophical struggles in the Middle East, and many neglected controversies in the western hemisphere with Canada, Mexico, Panama and Cuba.

That was his first point. His second was that while all these questions had been troubling Washington for many years before he came here, many of them had been ignored or handled privately. The difference, he suggested, was that he had brought them all simultaneously closer to the spotlight, and had invited public debate. In his opinion, this debate on such complicated issues contributed to the public confusion, but he defended his public diplomacy while conceding that it undoubtedly reduced his popularity.

When he was asked whether the press had misjudged him in the presidential campaign, thinking that he would concentrate on domestic rather than on foreign issues, he replied that he thought he had a fairly well balanced commitment of his time, and after all looking back over 1977 some very important things had been done on the national front. For example:

- A \$21,000 economic stimulus package containing substantial tax reductions, public works projects and public service jobs.
- A comprehensive welfare reform programme proposal.
- A national energy plan.
- The largest farm Bill in history.
- Refinancing of a social security system that was on the verge of bankruptcy. He added: "I doubt that any Administration has done more with so many tough, complex, long-standing domestic questions in its first year."

The President has two habits that are rather unusual in Washington: first, of thinking before he speaks, and second, of speaking in sentences. He was asked, therefore, how he happened to talk publicly for the first time by an American official, about a Palestinian homeland. Was this wisely chosen carefully or was it just down-home talk?

The President replied: "It

was used with the realization of its significance. We have used two words, *entity* and *homeland*, and I don't think those words had ever been used before by an American official. I did not say independent state, but it was time for us to express clearly to the American people the genuine issues that the Israelis and the Arab neighbours have to address. We talked about real peace. We talked about borders and security. We talked about the Palestinian question. So it was not inadvertent that we used that phrase."

Carter was very careful on questions that might involve future United States military commitments in the Middle East. No doubt at all, he said, about Washington trying to arrange peace between the Israelis and the competing Arab states, but no blank-check guarantees.

When he was asked about the sudden lurches of events, as in President Sadat's mission to Jerusalem and his belief that history was influenced by religion, he replied without an instant's hesitation: "Yes, I went to my own church early that morning and for the first time here gave a public prayer, although that is a common thing in Plains, Georgia. And the thrust of my comment to the press afterwards was that I have found that one of the common things that Begin and Sadat and I share is a deep religious conviction. They mention it frequently—so did Crown Prince Khalid when he was here. President Assad, Begin and Sadat frequently refer to it publicly. So do I."

"I think the fact that we worship the same God and are bound by basically the same moral principles is a notable source for resolution of differences. I was always convinced that if Sadat and Begin would be bound together, they would be bound by that common belief."

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## How the Brass-hats fought their way into a retreat

In May 1975 the General Staff announced its plans for the most fundamental reorganisation of the Army since the last war, or ever perhaps this century. Now after 2½ years of trials and agonising reappraisal, a number of soldiers are beginning to wonder if it was not too fundamental for it ever to work in practice. A number of changes have already been made to the original concept and one or two more may now be on the way.

Restructuring did not spring from a deeply felt need within the Army itself. It was largely an expedient forced upon it by the 1974-75 Defence Review, which resulted in a 15,000 loss of manpower. (A further 1,000 cut was ordered later to make up a total loss of 16,000 soldiers before April 1979.) But the General Staff tried to make a virtue out of necessity and arrived at a plan which, it claimed, improved the fighting capability of the Army anyway.

Although its overall size would remain more or less the same at around 55,000, the greatest impact would be felt in the British Army of the Rhine. Instead of three large divisions and two artillery brigades in the 1st British Corps, there would be four 8,500 in each in peacetime, a new artillery division and an infantry formation called the 5th Field Force—which would not belong to the corps but to the British Logistic Support Command, assigned to guard the rear in wartime. Specialist functions like logistics would be centralized, and more dramatically, all brigades would be abolished, saving manpower on headquarters staffs.

The number of armoured reconnaissance regiments would go up, but the number of tank regiments and artillery regiments would go down, while the total force of tanks in 1st Corps would rise significantly and the number of guns would stay more or less the same. This sounds confusing, but it all helps to explain two of the advantages which the General Staff saw in the plan. One was a 13 per cent increase in the ratio of weapons to men, while another was a streamlining of the chain of command with quicker decision-making in time of war.

It was the second of these supposed advantages which proved illusory. A 1975 exercise involving BAOR's 2nd Division, the first to be restructured, turned out to be something of a disaster. Without the span of command for a divisional headquarters, the division was found to be too great. It was too great given the Army's existing communications systems anyway, which could not cope with the workload.

So each division was given two task forces, each commanded by a brigadier, to share the division's five battle groups between them. BAOR's 2nd Division, which had a staff of only 70 instead of 200 in the old brigades, but critics argued that conceptually there was not very much difference and that one part of the restructing scheme had in effect been scrapped.

Now the other advantage, the greater concentration of firepower in BAOR's heavyweights, is also being questioned. 1st Corps, which includes some 49,000 of BAOR's 55,000 men, has simply not enough men left to do all the work. It is as if a quart, has been squeezed into a pint pot. According to one official assessment an extra 2,500 men will be needed to put things right—although no figure has yet been agreed by the Ministry of Defence. The result of it has been decided how to find the extra troops.

There are three reasons for

the overstretch which is now disconcerting commanders in BAOR. One is simply that regiments have been slimmered down to the bone by the process of restructuring. Another is that the new task forces have needed manpower which was not originally allowed for. A third is that new equipment coming into service is increasingly sophisticated, with the result that men are needed to go on more and longer courses to master the complexities—so there are always a number of soldiers away.

In wartime, ironically, the overstretch would be less telling. Regiments would move out of their camps to the battle-field, discarding the administrative functions associated with running a garrison, with its wives and children in peacetime. But if BAOR is to help to provide an effective deterrent, war will not come anyway. So units—particularly the equipment-intensive regiments of the Royal Armoured Corps, Royal Artillery, Royal Engineers, Royal Signals, and to some extent the Royal Electrical and Mechanical Engineers workshops—each need about 30 more men to shoulder the burden.

In the long term the Army would like to receive ministerial blessing for an increase in its overall size by, say, 2,500. In the short term it is probably bound to scrape the extra soldiers from units elsewhere—no man here, one man there, and so on—helped perhaps by a hoped-for reduction in the number of troops in Northern Ireland. But something will have to be done.

If BAOR officers sound less enthusiastic about the restructuring than they did a year or two ago, it must be said that they are not entirely disenchanted. One effect of the changes had been to increase the number of company-sized combat teams—the basic "pawns" of the modern battle-field—from 72 to 92. Assuming that the four new divisions can be reinforced in time to their wartime strength of nearly 14,000, they promise to be effective fighting formations, more over and replacing the old divisions problems. It is hoped will disappear with improved systems due to be introduced in the 1980s.

But there will certainly be a relief in BAOR if the General Staff has got it right. Not only has restructuring caused operational problems, but it has brought on severe headaches for administrators in the Rheinischland headquarters. By next April the job of caring out four divisions from the existing three will have meant uprooting 23 major and 40 minor units, involving 18,000 soldiers and 23,000 dependents. Staff clubs and other social centres suddenly seem to be not quite where they are most wanted.

Not so long ago BAOR prided itself on being the best equipped European army in NATO. There is an uncomfortable feeling that this position has passed to the West Germans. Meanwhile, accommodation officers, notwithstanding restructuring, are struggling to modernize soldiers' barracks and working quarters against a background of three budgetary cuts during the past three years. Two infantry battalions have even had to make do without garages for their armoured personnel carriers.

The final irony is that if and when BAOR gets the extra men that it needs, it will end up slightly larger than it was before—though not significantly so. This is not as absurd as it sounds, but it illustrates the difficulty of explaining to soldiers the reason why.

Henry Stanhope  
Defence Correspondent

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## The train now launching at Platform . . .

It seemed entirely appropriate that Edward Heath and I should be on board a special blue and white supertrain yesterday as he set off on his pre-Christmas whistle-stop tour to launch his latest book, *Travels*.

Platform 8 at Paddington, according to one cynical reporter from CBS, held all the razzmatazz of the launching of an American presidential election campaign. Mr Heath was later in csp this remark when he told me: "We could not have done better had we called a general election."

No one in his entourage would say how much it had cost to hire the train for the week. But a former British Rail official vouches for me that if the diary wanted to rent the train, with three cars of rolling stock, it would cost £10,000 for two weeks including a rolled mileage of 1,000 taking in 10 venues. In one week, our former leader will visit 12 venues and, additionally, his train has five cars.

After Lord Longford, chairman of Selwick and Jackson, who published *Travels*, a senior Tory whip, who was making inquiries about hiring the train on behalf of Mrs Thatcher, and other dignitaries had left the hospitality lounge, the supertrain pulled out and arrived at Reading, seven minutes early.

Mr Heath looked fit and sunnied in a quiet ensemble of blues. "Yes, I feel well"

On the other hand, as he was still in power, there's probably a rail strike.



he said, "though for some reason people seem to resent it."

Before we moved on to Bristol, the London-bound express from the West Country pulled in at the adjacent platform. From a first-class window, Angus Maude and Michael Heseltine, two of Mrs Thatcher's chief lieutenants, peered out on the crowds on platform seven. The message on the side of Mr Heath's train was two-feet high and unmistakable. The high Tory pair looked pained.

## Hansard comedy of error

Last Friday's issue of *Hansard* containing the Official Report of the late night proceedings during Wednesday's sitting of the House of Commons contained one of those priceless typographical errors which occur only rarely in this outstandingly accurate publication.

It reports Reginald Freeson, Minister for Housing and Construction, as saying: "Tonight we are concerned with a draft EEC directive on . . ." Well, they say you can't gag *Hansard* and there has been many a time when MPs have complained that some of the draft directives on harmonization emanating from the EEC Commission are little else but daft.

The directive before the House on Wednesday night concerned the mutual recognition within the Community of the qualifications of architects. It has been hanging around since 1967 and MPs now seem agreed that the latest, much-revised version is not so daft as the original. Banks is taking negotiations over the years.

The film of Ira Levin's book about Nazi rebirth, *The Boys from Brazil*, which is now before the cameras, has suddenly acquired a triple-deck academic look. Two of its leading actors, Lord Olivier and Gregory Peck, and its director, Franklin J. Schaffner, have been awarded doctorates in humane letters from the Franklin and Marshall College in Lancaster, Pennsylvania. Lord Olivier would not attend the ceremony as he was on location in Portugal. The honour was accepted for him by Stanley O'Toole, the producer of the film.

A nice young lady told me, excitedly, that she had met the head of Rolls-Royce. His name was Lord Denning. I scarcely had the heart to tell her that his lordship was Master of the Rolls.

## Batsmen all

Sir Ian Bancroft, new head of the Home Civil Service is a very private fellow. His short, if distinguished, entry in *Who's Who* mentions no recreations. In fact, he is no mean table tennis player.

Every autumn, Whitehall's permanent secretaries spend a contemplative weekend together at the Civil Service College in Sunningdale Park. Sir Douglas Allen, the retiring Head of the Civil Service, could be seen belying his 60 years on the tennis courts. Sir Ian would take on Sir Leo Platky at ping pong.

Sir Leo, the tiger of the Department of Trade, is as ferocious with the bat as he is on paper despite losing the sight of one eye and carrying the ravages of the operating table. He was as pleased as punch when he defeated Sir Ian in the result of the October 1977 battle by yet to surface on the Whitehall grapevine.

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## The Lady Vanishes—by demand

For liberated women, some good news and some bad tidings. First, the Good Components of Caepphilly, the building trade suppliers, have decided to kill off Car Girl (on right), the fantastic lady who has spearheaded their publicity drive for their steel line.

The Diary carried an item about her in July.

Catie has received many complaints about their cartoon creation . . . vulgar, commercial trash that devalues the joy that lies in a true relationship with women. "Vulgar and unpleasant exploitation of sex."

Catie's obituary for the distant future reads, in part: "We must acknowledge the real and genuine concern that many of our customers have for the boundaries of good taste."

Presumably, the *littles* will from now on be sold on the basis of merit.

Now, the bad news for feminists. The regular page three bit-up photograph in the *NUTS* is a newspaper, *Yorkshire Miner*, is now Arthur Scargill, president of the Yorkshire miners, defends the policy



in a letter to *Socialist Challenge*. Apparently, a Miss Jane Perrie of Sheffield accused him of being sexist.

The pin-up issue is, however, secondary to Mr Scargill's denial of Miss Perrie's allegation that he used the expression "there's a lovely bird in there," as he emerged from the Grimsby strike HQ in October. He writes: "Anyone who knows me will know that the expression attributed to me is not one I would use."

With an air of finality, Mr Scargill says that some women are becoming paranoid about "something totally insignificant" which there are matters of great concern facing the working class movement.

Pack drill. Egon Ronay, having efficiently disposed of civilian catering, has turned his attentions to the military. These are his verdicts on the tinned, 24-hour, one-man combat ration packs which reflect the tastes of five Western nations. Italian ravioli: tasteless. Bel-



Le Monde  
LA STAMPA  
THE TIMES  
DIE WELT

# Europa

On the eve of a meeting of Community ministers on the question of monetary and economic union, David Blake explains why such a union is less an economic objective than a political paradox. M Alain Cotta, professor at the Dauphine University in Paris, separates theory from the political policies pursued and Natale Gilio recalls a fascinating incident in the negotiations which took place between Italy and the International Monetary Fund

## Latecomer that has lingered

The idea that Europe should build an economic and monetary union, with a common currency for all the EEC member states, came late to the Community but it has exerted a strange fascination ever since. Strangely because the original reason given for it, that it was necessary to prevent an unravelling of the Community's Common Agricultural Policy, has been shown to be false; over the past eight years a complex but workable system has been developed to maintain the structure of the common policy towards farmers while at the same time developing means of protecting individual countries from the direct impact of parity changes on food prices.

It is made all the stranger by the fact that all efforts which have been made in the past within the Community to proceed towards some form of monetary integration have led to disaster. The monetary union of the early 1970s has degenerated into a Sucke whose membership bears no relation to the list of members of the EEC.

The reasons for the failure of attempts to build a monetary union are clear. Inflation rates have differed widely in European countries since the beginning of the postwar period, and they show no signs of converging of their own accord. Consequently, the only way that a reasonable balance of competitiveness can be maintained is through a constant shift of parities. Devaluation of a cur-

rency may not provide a painless solution to the economic problems of states which are in payments deficit, but it does clearly often present itself as the only way of avoiding measures which would lead to a huge rise in unemployment.

Since the reasons for monetary union are so strong, the important question is why it continues to be tried, with the latest, and in some ways the most up to date, defence of the concept coming from the President of the European Commission, Mr Roy Jenkins.

Mr Jenkins's ideas, presented to a Florence audience in the Jean Monnet lecture, provide such a clear statement of the muddled thinking underlying much of the support for monetary union at the moment that they repay further study.

The first and perhaps most important misunderstanding, comes from the perennial European obsession with the role of the dollar as a reserve currency and the feeling that this gives the United States an unfair advantage in the world monetary system.

Copying America, either through a desire to emulate, or through an even more intense dislike which vents itself in a desire to outstrip American achievements, has long posed problems to clear thinking within the Community. The American example on the monetary front has caused both of these problems to the EEC.

Even supporters of monetary union admit that trade between continents or

regions is possible without too much trouble under a regime of floating rates, but they argue that within Europe this system poses insuperable difficulties. What they are actually doing in this case is confusing the problems caused by parity fluctuations with the things which make them inevitable.

For the fact is that the divergence between inflation rates between members of the EEC is far greater than that between some of the more successful members and nations outside, such as the United States, which have a good record of price stability. It may be true that the adoption of a single monetary system for the whole of Europe, complete with a Europe-wide monetary authority, would lead in time to inflation rates everywhere coming to the same level. This would happen, however, only at the expense of severe unemployment in those countries where inflation tends to be high.

As Mr Jenkins himself admits, much of the inflationary impulse within countries come from the struggle over income distribution, in which workers fight (usually unsuccessfully) to increase their share of the national cake at the expense of others. Curbing this pressure through tight monetary policy would certainly be a harsh way of reducing unemployment, though some would argue that the price would be worth paying. However, this viewpoint, with its acceptance of Mr Jenkins's statement that "the disciplines of monetary union will be more, not less demanding"

does not fit in with his other view—namely that of many who argue for monetary union—that it will somehow make it easier to deal with unemployment.

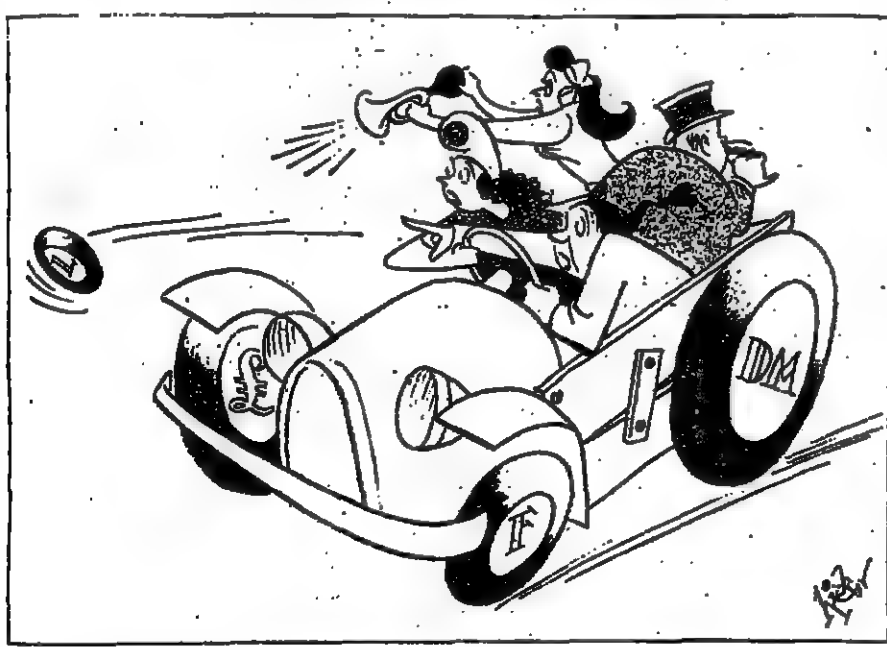
Having a common currency would make it no easier and no harder for Europe as a whole to run its economy at a higher level of demand. Since Mr Jenkins, who at other times seems to believe that tight monetary policies defeat inflation, becomes convinced of the need to take an expansionary stand when he turns to the problem of unemployment there seems no clear economic logic in his stance.

Indeed, at bottom the arguments for economic and monetary union have never really been about economics. They are about the fact that tying the currencies and economies of nine governments together would be possible only if an enormous convergence had already been established and if there were a willingness to make the further sacrifice of sovereignty which abandonment of their control over national currencies would entail.

Such a close union might well be in the interests of everyone in Europe; but it is more likely to be built by the slow and steady practice of working together in areas such as industrial policy, where the scope for gains is clear to everyone, than in the pursuit of some abstract notion of the way the world could be. No one solves problems by imagining how nice it would be if they ceased to exist.

D.B.

## Keynes is still the inspiration



It is fashionable to claim that J. M. Keynes is no longer the inspiration behind our economic policies—which, incidentally, are becoming less and less effective in dealing with the most pressing social problems of the day: unemployment and inflation.

Every nation lives primarily by its excesses, so that one should not be surprised that this particular one is faring none too well. The fact is that our economic policies are still almost exclusively Keynesian, despite the whole Western world's shared experience over the past 30 years of exceptionally rapid growth and even despite the major upheavals inherent in the realignment of world price relationships.

As one can scarcely make the assumption that all those who make reference to Keynes have troubled to read him, it is worth recalling that the essential objective expounded through the painstaking logic and subtle nuance of his general theory is to attain full employment of labour and hence the potential growth rate determined by the working population and the state of existing physical capital.

There are many means of achieving this end and they are complementary rather than interchangeable. They take shape to become Keynesian reform through the accumulated effects of easy monetary policy, preferential development of the public sector (or the non-private sector) and protectionism, or rather rejection of international free trade when it is damaging to domestic growth.

In each of these three areas, scarcely any change is discernible other than a heavier emphasis on Keynesian options. And, happily, the failures seem far less obvious than some would have us believe.

It is clear that all our monetary policies have become chronically easy. For all the monetarists' frenetic activity, there is no country in the West where the growth of the money supply is not far in excess of the growth in the real national product or where the real interest rate (nominal rate less the inflation rate) has not been reduced to nil or near it. In other words, no nation has succeeded in achieving survival and growth without inflation.

Should this be construed as a failure? Although close scrutiny of monthly inflation rates has become a pastime which governments everywhere have in common and, despite the development of the intriguing game in which voters and governments conspire to perpetuate the myth that fitness to hold office is to be measured in terms of success in combating inflation, it is not regarded as evidence of failure.

Historically, for reasons closely bound up with the way our Western economies work, there has been no

growth which has not led to inflation, in the short term and in the long term. This indeed was one of Keynes's messages, stated implicitly but firmly and justified at the time in terms of the relationship between the level of investment and the rate of interest, it is to say, the volume of the money supply.

Today this justification should be extended to embrace all the factors entering into economic and social life. There are no longer any social groups which do not stand to lose by a swift and heavy fall in the inflation rate. Households now feel the effect of real indebtedness at least as much as companies. Banks' fortunes are determined by the growth rate of the gross national product, whatever the inflation. As for ministers of finance, inflation erodes them to balance their budgets, whereas only a few short years ago there were those who had thought that all hope of doing so would have to be abandoned.

All central banks are now faced with the kind of threat to their power which the Bank of England had to meet alone more than 40 years ago. Contemporary economic policies cannot therefore be other than inflationary. Clearly this does not mean that they must be resolutely so, nor that there are not certain constraints. It would be superfluous to give encouragement to such strong tendencies which are thriving so well by their own devices. On the contrary, it would perhaps be better to take steps to prevent them from pushing inflation to such levels that all illusions would be dashed.

The crucial point is that inflation in any given country cannot be isolated

from inflation elsewhere; it is imported and exported and, above all, it is relative. Although absolute inflation can reach high levels, the same is not true of relative inflation—the difference prevailing between inflation in one country and in those surrounding it. Here, as always, the constraint comes from outside.

The countries which create order around themselves are precisely those which, for a variety of reasons, have least need of inflation to achieve real growth. However, as we are seeing today, they are accused of exporting deflation simply because they settle for an inflation rate of between 4 and 5 per cent and are obliged sooner or later by friendly or less than friendly persuasion to forgo a domestic success which is causing difficulties for the wider community to which they belong. Who would call being placed in this position a failure?

The growth of the public sector is Keynes's second recommendation and is more closely associated with the objective of full employment. Though it is not presented as a recommendation, it is the inevitable consequence of all manner of public interventions (investment, consumption, and so on), not least deficit budgeting.

This is probably the field in which present policies are most systematic and uniform. Moreover, it is interesting to note the tone of measured discretion in which the most massive budget deficits have been announced recently by the governments of the reputedly most liberal countries. In 1975 the budget deficit was almost 7 per cent of GNP in West Germany and 5 per cent of GNP in the United States, and is now running at between 3 per

cent and 4 per cent of GNP in all economies. The Keynesian revolution has become a way of life—more so than could have been expected—and this is further underlined by the fact that a threat of depression could only be eliminated by massive increases in incomes created by government.

Who would claim that these policies were a failure on the ground that, despite their intensity, unemployment has not been eliminated completely, or alternatively that the recovery would otherwise have brought back growth more quickly and more fully?

It is nevertheless clear that the western world was only able in 1974-75 to avoid a crisis on the scale of that of 1929 by recourse to the only remedies which we are able to manipulate without grave error: the Keynesian palliatives. It is equally clear that the persistence of unemployment cannot be considered with the unconcern condoned by the loose use of this term which owes too much to now remote history.

Although it is desirable, and probably necessary, for the Western economies to show their ability to continue to grow with minimal unemployment, it is becoming obvious that they are able to support the present levels without social disturbances of the same kind and the same intensity as those experienced before 1939. The fundamental reason for this is that living conditions for the unemployed are no longer what they were, because of important social changes. The latter cannot have failed to increase voluntary unemployment which, like moonlighting with which it is sometimes combined, enjoys more immunity to indiscreet inquiry.

The extent of the failure of present policies is undoubtedly less than it seems and equally undoubtedly much more circumstantial than definitive, such as has been the increase over recent years in our economies' capacity to solve employment problems through the growth of the public sector. This has not been the only means used; in many cases, the desired result has been achieved through organizations which defy the simplistic contrast between the private and public sectors. Nevertheless, in all countries, with the vicissitudes of economic policies which are often presented as diametrically opposed (stop and go), the proportion of employment in the private sector has declined consistently to the point of exposing what has now become a fundamental divide between the market and non-market sectors, as perceptively analysed by Bacon and Ellis.

While one may question the wisdom in today's circumstances of pursuing an economic policy which is not based

Continued on next page

## Many a slip on the road to Rome

It was not until Sunday, March 13, that Mr Alan Whitmore, head of the European department of the IMF and his aides—Mr Peter Finch, Herr Albert Schmidt and Signor Umberto Dell'Anno—succeeded in completing the text of the letter of intent that the Italian Government was to sign to get the \$530m loan that had been asked for so long ago.

For the first time, after many months, Mr Whitmore felt relieved: at long last they had reached the end of negotiations that had been started a year previously, only to be interrupted a number of times and then resumed at the last moment when they appeared to have faded finally beyond recall. The troubled Italian political situation had only complicated matters. The Treasury Minister's chair was now occupied by Signor Gaetano Stamatii, in place of Signor Emilio Colombo.

After years of friendship the two cordially detested each other. Signor Stamatii, now released from a protective armour that he found too restrictive, accused Signor Colombo of having bequeathed him a ministry that was falling to pieces. Signor Colombo, from Strasbourg, where he was busy presiding over the European Parliament, replied that for 20 years Signor Stamatii had been one of the people most responsible for that ministry.

From the feud between the two, those working with them had also suffered. One especially was Signor Ferdinando Ventriglia, director general of the Treasury, whom Mr Whitmore had met in Paris in October 1976 with Signor Mario Ercolani, director general of the Bank of Italy.

He remembered with admiration their tenacity, and the skill with which they had defended the tax on foreign currency purchases, imposed to protect the lira against speculation. With their collaboration the first conditions for the letter of intent had been drafted: a reduction of at least 5,000,000 lire in the enlarged public sector deficit, and the revision of the machinery of the *scala mobile*—the threshold payments system.

At Rome he had found other negotiators such as Signor Vincenzo Milazzo, principal private secretary to the Prime Minister, Signor Andreotti and government auditor, and Signor Antonio Fazio, head of the research department of the Bank of Italy. With them he had started to unravel the tangled skein of Italian public finances. He had only seen the Treasury Minister twice—once on his arrival, and once one evening at dinner.

Mr Whitmore sat thinking about all this after he had finished dictating his notes. His long sojourn in Rome had brought at least one benefit. He had been able to see again such true friends as Signor Sergio Siglienti, with whom he had shared an apartment during their first years in Washington, and who had now become a senior manager in the Banca Commerciale Italiana.

Signor Umberto Dell'Anno broke in on his thoughts: "Perhaps we ought to redraft the letter of intent. I heard that it is unlikely the trade unions will accept a freeze on negotiations at company level, and the exclusion of indirect tax increases from the *scala mobile*." Mr Whitmore had looked at him amazed. "But the government, according to Signor Milazzo, has already heard the trade unions' views on this. Signor Milazzo never said anything about trade union opposition. Anyway, we shall give the text to the Bank of Italy tomorrow, and then we shall see."

On Monday morning the document, in English, arrived on the desk of the Governor of the Bank of Italy, Signor Baffi, who had been kept constantly informed by Signor Fazio, already knew its contents. It did not take him long, therefore, to summarize the main points with Signor Ercolani. He ordered the text to be translated into Italian, so that it could be given to Signor Stamatii on Tuesday evening on his return to Brussels.

Signor Stamatii did not take long to read it. The somewhat severe conditions seemed acceptable to him, in view of the gravity of the Italian situation. At last he could tell Signor Andreotti that the negotiations with the Monetary Fund had been concluded, and soon the loan, which was so necessary to give Italy new credibility internationally, would be available.

Signor Andreotti, who had been informed by Signor Milazzo, knew that the negotiations had been concluded, and was full of praise for the hard work done by the Treasury Minister. He asked him to give Mr Whitmore his best wishes and thanks for his collaboration, saying that he was "a good friend to Italy".

As soon as Signor Stamatii had left, Signor Andreotti sent for Signor Milazzo and his trusted economic adviser, Signor Luigi Cappugi. He wanted their assurance also that there would be no difficulties from the trade unions and the political parties regarding the conditions contained in the letter of intent. Signor Cappugi preferred to remain silent. Having been kept out of the negotiations, he did not consider he should offer an opinion. Signor Milazzo simply confirmed what Signor Stamatii had said. "But have the trade unions been advised?" Signor Andreotti asked. "I think so. All contact has been through Signor Evangelisti." But the President was not convinced. His political sixth sense told him to check.

The following evening at precisely 7.30 the director general of the Treasury went into the President's room on the first floor of Palazzo

Chigi. Signor Andreotti went straight to the point, asking for an expert opinion on the letter of intent. To his amazement Signor Ventriglia replied that he knew nothing of its contents. "The Treasury Minister decided not to keep me informed." "Well", Signor Andreotti rejoined, "he gave me the text yesterday evening. Would you mind looking at it, and telling me what you think?"

Signor Ventriglia read the letter of intent carefully, while Signor Andreotti signed a number of urgent papers. "Well, what do you think?" "In the main", Signor Ventriglia replied, "the letter reflects what Signor Ercolani and I discussed in Paris in October. But I am rather worried about the clauses concerning threshold payments. It is unlikely the unions will want to accept them."

So Signor Andreotti's sixth sense had not misled him. "In your opinion, could they be altered?" "It is hard to say", Signor Ventriglia replied. "Perhaps that could be discussed. The important thing is that, one way or another, increases in threshold payments should be kept within the agreed limits."

And so, as Signor Andreotti said, they would have to see Mr Whitmore again. "Do you know when the IMF delegation is leaving?" "I heard Signor Ercolani say that their flight to Washington is booked for Monday next." "Very well, let me think a bit. But please cancel all engagements. I may call a meeting with the Treasury Minister and the governor, at which I should like both you and Signor Ercolani to be present."

On Sunday morning, March 20, at 10 o'clock, the blue Alfa Romeos of Signor Stamatii, Baffi, Ventriglia and Ercolani passed through the main gate of Palazzo Chigi. Signor Andreotti guided the discussion with great skill. He said they must protect themselves from any opposition on the part of the trade unions, and put forward as his own idea the alternative suggested by Signor Ventriglia. Signor Baffi agreed immediately. Signor Stamatii tried to resist, pointing out that the commitment had already been entered into, but in the end he was convinced that it was perhaps worth talking to Mr Whitmore again. Except, as he pointed out, that he did not know how to contact him, since they had already said goodbye to each other. Signor Ercolani then mentioned that he had seen Mr Whitmore in the early afternoon at the Olympic Stadium, at the Lazio-Naples football match. One of the members of the delegation, Signor Dell'Anno, was a Neapolitan, and had said that before returning to America he wanted to see his team play. Tickets for the match had been presented by the Bank of Italy.

At 5 pm Mr Whitmore, dressed informally without a tie, returned to the Treasury, driven by Signor Ercolani. Signor Stamatii explained the position, adding that the President was worried about opposition from the unions, and the feeling was that it would be wise to leave room for manoeuvre. Above all, social tension in the country gave appreciable grounds for concern. The day before, at a demonstration at Bologna, shots had been fired and two people had been killed. He hoped, of course, that no alterations would be necessary, and expected to be able to send the signed letter of intent to the director general of the fund, Herr Witteveen, the next week.

Signor Stamatii's hopes were soon shown to be unfounded. On March 28, at a meeting requested by Signor Andreotti, the unions dug their heels in. They would never accept having the effects of increases in indirect taxation disregarded for the purposes of threshold payments. The most they could accept was that the effect of such increases should be reduced so that the trade union cost of living index should not exceed the average levels shown in the letter of intent.

This was an insuperable obstacle. Signor Stamatii telephoned Washington, and attempted to explain the difficulty to Mr Whitmore without success. So Signor Andreotti asked him to take the first aircraft to America, confident that once he was there the fund's managers would understand. With Signor Stamatii he sent the faithful Signor Milazzo.

It was a lightning trip that lasted very few hours, but made the telephone wires between Rome and Washington white hot. While Signor Andreotti was still negotiating with the unions, Signors Stamatii and Milazzo received an icy welcome from Herr Witteveen, annoyed with "these Italians who are incapable of honouring a commitment". But Mr Whitmore mollified the director, pointing out that certain changes had been foreseen in Rome, and from there on, everything became easier. Signor Stamatii informed Signor Andreotti that, as far as the IMF was concerned, there were no obstacles. The President in turn succeeded in closing the negotiations with the unions.

A few days later the head of the European department of the fund received the letter of intent signed by the Italian Treasury Minister, and passed it to the fund's board of directors, marking the file on the Italian negotiations "closed". Instead, it was a file destined to be reopened more than once. First, at the end of July, when it was realized that Italian government expenditure had greatly exceeded the limits that had been fixed. And then in September when Signor Stamatii, recognizing at this point that "the concern" expressed by Mr Whitmore in a previous letter was more than justified, was obliged to ask for changes to be made to the clauses regarding expenditure for 1977 and 1978, and the public borrowing requirement.

N.G.



## Facts and figures

	Rate of growth	Quality of growth		Maintenance of growth		
		Prices	Unemployment	Productive capacity	Foreign trade	Vulnerability to external factors
GERMANY	●●●	●●●	●●●	●●●	●●●	●●●
FRANCE	●●●	●●●	●●●	●●●	●●●	●●●
ITALY	●●●	●●●	●●●	●●●	●●●	●●●
BRITAIN	●●●	●●●	●●●	●●●	●●●	●●●

## Inflation rate levels off

During 1977, amid all the disappointments caused by the abortive efforts to stimulate the influential economies into dragging the others out of stagnation, there at least has been the consolation of one success: almost all the big Western countries have achieved a significant reduction in their respective rates of inflation.

This is illustrated by the graph for the average rate in our four countries, which has fallen from its peak of 12.5 per cent in January to 6.5 per cent for the period August-October. In other words, the inflation rate has been almost halved in little over six months, no mean achievement.

The most spectacular progress has been made by Britain and Italy, commonly regarded as the weaker economies, which have brought inflation down from double figures, with an annual rate approaching 20 per cent, to single figures, or nearly, with a rate for the past three months of 6 per cent in Britain and 10 per cent in Italy. What accounts for these successes?

In Britain, the sharp reduction in wage increases, from an annual rate approaching 30 per cent to less than 10 per cent, has played a decisive part, aided by the firmness and, in recent months, rising value of the pound. That has accentuated the effect of falling world raw materials prices, with the result that the rate of increase of wholesale prices has been in steady decline: 1.25 per cent in June, 0.75 per cent in July, 0.5 per cent in both September and October.

There has been no similar improvement on the wages front in Italy, where the threshold arrangements continue to pose a threat. On the other hand, world prices and the lira's stability against the dollar have kept the rise in wholesale prices down to 0.7 per cent in two successive months, July and August. Even West Germany, where inflation was already low at

4 per cent, has been able to make further progress, with wholesale and retail prices almost at a standstill over recent months thanks to the rise of the Deutsche mark and wage moderation.

Only France has thus far failed to achieve sufficiently significant results, although the increase in wages has been brought down from nearly 20 per cent to roughly 10 per cent, while prices of raw materials and wholesale prices have eased as they have everywhere else and, except during the recent period, the franc has remained firm, against the dollar that is. Nevertheless inflation is still running at 9 per cent and resisting all efforts to bring it below this level apart from artificial measures such as tax reductions or price freezes.

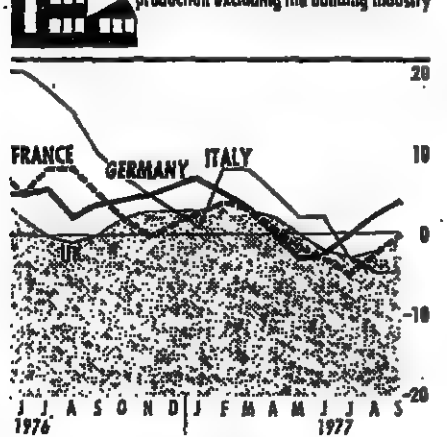
A kind of ratchet effect seems to be ruling agricultural and food prices, allowing them to rise and preventing them from falling, and these are the prices to which households are most sensitive and which have the most immediate influence on wage claims. What a difference with West Germany or the United States, where they are falling.

There have been only the beginnings of success in cases where there has been heavy pressure on wages, as in Britain, or where activity has been maintained at a substantial level, as in the United States where company profits rose sharply by 20 per cent in 1976 and have kept up their impetus, rising at 12 per cent during the first half of 1977, appreciably higher than the rate of increase in wages (between 8 per cent and 9 per cent). In West Germany on the other hand, despite wage restraint, persistently sluggish activity has meant that corporate earnings fell by an estimated 4 per cent in the first half of 1977 while wages rose by 6 per cent (and public revenue by 11 per cent).

In Italy, industrial rationalisation, particularly in the nationalised sector, poses even greater problems because of the high level of debt. In such circumstances decisive results can be obtained only by financial reorganisation, such as that proposed in the Carli plan, under which debts to banks would be converted into shares and subsequently offered to the public. Although such a move is necessary, it would not be enough in itself. As elsewhere, there can be no recovery in the fortunes of companies without a recovery in activity.

It is for this reason that the Confindustria (together with the trade unions) has made representations to the Government to take early action to counteract the fall in activity.

**INDUSTRIAL GROWTH**  
basis: seasonally adjusted index of industrial production excluding the building industry



**Growth:** The decline in industrial production has levelled off in France and Britain, where the figures are stable. West Germany is back on a slight upward trend, rising by 3 per cent to 4 per cent, while Italian production is still falling at a rate of 5 per cent.

(which is shown up clearly in the graph on industrial production, where it can be seen that Italy's performance is the worst of the four countries). According to the Italian employers, the 2 per cent growth in gdp officially forecast for 1978 is insufficient; the target should be 4.5 per cent, even if that meant that the external deficit would rise again.

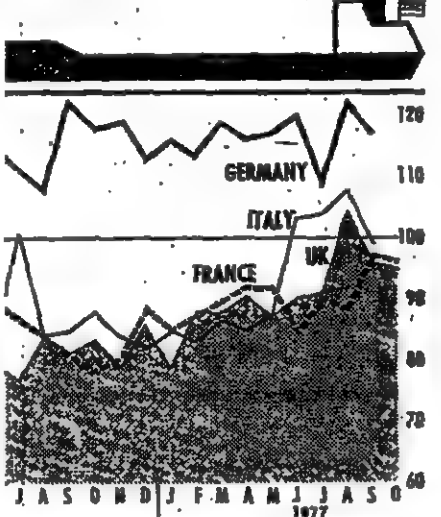
Increased economic activity, then, is the order of the day, but not at the expense of the ground gained in the campaign against inflation. The Americans have shown that this can be done.

The main effort, therefore, will be needed on the domestic front from each individual country, most specifically through keeping wage increases at a reasonable level. That is the first priority in Britain, for instance, where employers are no longer being called upon to impose sacrifices as in the earlier phases, but to hold the line at a general limit of 10 per cent in the face of a rising tide of claims.

Italy needs to carry on combating the adverse effects of the threshold arrangements (particularly in view of the ominous October rise in the inflation rate), while acting to halt the decline in activity. In France, the effort needs to be directed primarily at non-wage incomes.

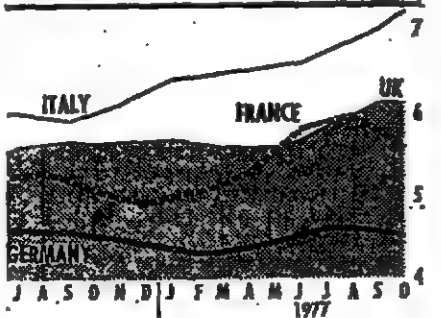
Maurice Rommensath

## FOREIGN TRADE



**Foreign trade:** Britain, Italy and now France, too, are managing to maintain cover of exports by imports at high levels close to break-even point. Their respective rates in October were 95 per cent, 96 per cent and 99 per cent.

## UNEMPLOYMENT



**Unemployment:** Seasonally adjusted unemployment as a percentage of the work force was almost unchanged from September to October in West Germany (4.5 per cent) and Britain (6.1 per cent); it has come down in France from 5.8 to 5.5 per cent, but risen again in Italy to more than 7 per cent (although a caveat should be voiced regarding the influence on these movements of action by the two governments concerned).

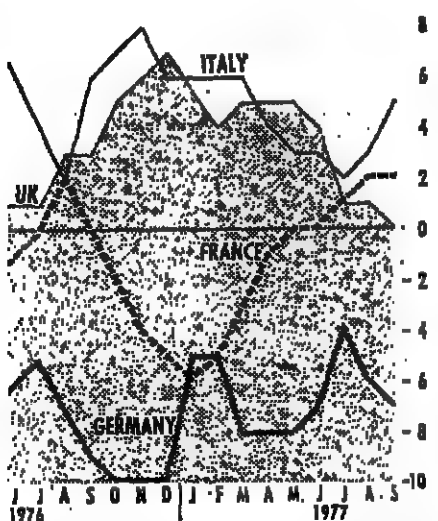
## PRICES

consumer price index



**AVERAGE**

**DIVERGENCE FROM AVERAGE**



**Prices:** Average inflation for the four countries now seems to have reached a low point at roughly 6.5 per cent. Over the three-month period to October prices remained almost stable in West Germany and rose at only 6 per cent in Britain, but the rate is refusing to fall below 9 per cent in France, and it has recently risen from 10 to 12 per cent in Italy.

## United States: Comparative situation and influence

## Industrial growth ● (●)

The improvement in the news about general activity continues. In particular the index of leading indicators recorded a third successive rise (0.3 per cent) in September, after 0.2 per cent in July and 1.4 per cent in August. Retail sales, which were down 0.2 per cent in September, forged ahead again by 1.8 per cent in October, a month which saw a record number of housing starts (almost 2,200,000 on an annual basis).

## Prices ○ (○)

The favourable trend in retail prices is continuing (up 0.3 per cent in September, an annual rate of just over 4 per cent over the past three months). By contrast, the acceleration in wholesale prices which started in September (0.5 per cent) continued into October (0.8 per cent), the main cause being a 2.4 per cent spurt in farm prices in October alone.

## Unemployment ○ (○)

Since April the statistics of unemployment as a percentage of the workforce have hovered at about 7 per cent without any significant change, as witness the monthly figures: 6.9 per cent in May, 7.1 per cent in June, 6.9 per cent in July, 7.1 per cent in August, 6.9 per cent in September and 7 per cent in October. On the other hand, the numbers in employment continue to rise steadily.

## Productivity capacity ○ (○)

Investment is still not running at the level needed to strengthen and stabilize the growth rate. The main causes for this disturbing feature are: low capacity use (82.8 per cent in October), slower development of profits, higher interest rates and above all lack of confidence.

## Trade ○ (○○○)

September's balance of trade figures were slightly less bad than the disturbing sequence of earlier months, with the deficit reduced to \$1,700m compared with an average of \$2,700m for the three previous months (calculated job-off, the basis used for the European countries, these figures would be \$2,600m and \$3,600m respectively).

## Influence on the four countries

Monetary and financial: American short-term interest rates, which have risen sharply (with prime rate now close to 6 per cent), are beginning to cause embarrassment in Europe, where rates have been falling. In Britain, despite sterling's continued firmness, the rate has started to rise, whereas in France the franc is falling while money market rates are substantially up, at more than 9 per cent.

Economic: After faltering during the third quarter, the American growth rate is getting back on course, although it still unfortunately lacks impetus and confidence, as is borne out by the reluctance to invest and the fall on Wall Street. This display of pessimism in the country that is in the best position as far as activity is concerned will give little encouragement to European industry.

○ Poor ○○ Bad ○○○ Very bad ● Fairly good ●● Good ( ) Previous performance

## Tax-free magnet draws writers, artists

In the past eight years more than a hundred writers and artists from all over the world have decided to move to Ireland. With famous names like Frederick Forsyth and Len Deighton among them, they represent the advance guard of the dense crowd of intellectuals attracted to the Republic of Ireland by a magnet that has proved irresistible—the law which exempts residents from paying tax on any revenue produced by creative work.

This is one example, perhaps the least well known but no less significant, of the success that has been achieved by the package of incentives worked out by the young Irish Republic to give a fresh boost to the disorderly mechanism of the internal economy, which was threatening to condemn the country to a position at the bottom of the European Community league.

But, writers apart, there is no doubt that the Dublin Government has backed a winner in launching a series of revolutionary proposals that have immediately been snapped up by the business world. Ireland's great need was to steer its way clear of the sandbanks of the recession caused, to a greater extent than elsewhere, by the joint effects of two economic factors—on the one hand the predominantly agricultural structure, slow and hostile to the pressures for industrial change, and on the other the outflow of labour which, massive though it was, was not sufficient to offset the worrying increase in unemployment.

The incentives that were promised—and, what is more, have been granted—have brought about what Plant Location International, a Belgian company specialising in the placing of investments, has not hesitated to describe as a "real miracle". In 15 years 662 foreign companies have been "persuaded" to establish themselves in Ireland, with a total capital investment of £547.6m and the creation, as a result, of 76,670 new jobs.

Among the facilities offered the main incentive was 100 per cent exemption from income and other tax on profits deriving from the export of goods produced in Ireland, up till April, 1980. The threat of double taxation no longer hangs over repatriated profits, as a result of the agreements in force with 19 countries; and that is not all.

Foreign business is allowed to deduct, for tax purposes, the total cost of plant outfitting expenses with

a concession that can amount to as much as 120 per cent, in the case of factories built in depressed areas; investments are supported by non-repayable subsidies, which go from 35 per cent to 50 per cent; the Government bears the cost of professional training and even goes so far as to finance, generously, training courses for technicians and managers, and is open-handed in granting loans and assisted contributions for research, development, and the construction and rental of production centres.

A remarkable feature is the absence of bureaucratic delay, which has always been the classic obstacle in the way of all good intentions. From the time the feasibility study for a project is presented up to the time the grants are available, no longer than a fortnight passes, which is a record in keeping with the whole style of "Operation Taxation Paradise" as imposed by the IDA (Industrial Development Authority), the government body which has flung the doors of Ireland wide open to foreign investment.

No wonder, then, that so many companies have taken the bait offered to them so attractively; the Irish do not ask for shareholdings in foreign companies, and scrutiny of balance sheets is reduced to a minimum (thus many multinationals can artificially inflate the profits of their Irish branches).

Of the foreign companies that have set up in the Republic of Ireland since 1960, the proportion of English companies has fallen from 97 per cent to 32 per cent, followed by the Americans with 30 per cent and the Germans with 19 per cent.

In the investments sector America has taken the largest share, almost 48 per cent of the total, with £265.3m; the United Kingdom has invested £91.4m, Holland £67m and Germany £48.2m. The rest of the industrialized nations (Austria, Australia, Canada, Denmark, France, Italy, Japan, South Africa, Sweden and Switzerland) have "gambled" £75.7m in Ireland.

Which direction have these investments taken? In top place of preference are the textile complexes, electronics, chemical factories, and industrial machinery. These include the Thermo King Corporation, a subsidiary of the American Westinghouse, which has opened a plant for producing refrigerator units near Galway; the German Boehringer pharmaceuticals firm; the French firm TMA-mécanique Electrique; the Italian

Ferrero confectionery firm, and Glaxo, manufacturing veterinary products.

For all of these, and for the other tax refugees, the aces which decided the issue were always the same: low labour costs (the average hourly wage for the Irish workman, including social security contributions, is \$2.73 compared with \$3.28 in England, \$6.41 in Germany, \$5.62 in France and \$5.23 in Italy); a relatively calm trade union climate (the local unions have so far refrained from declaring war on the multinationals) and the great efforts made by both the Government and the Opposition to respect the commitments entered into by the IDA.

If, therefore, the advantages for foreigners are obvious, there have also been considerable benefits for the Republic of Ireland from its courageous policy of giving industrial incentives, and the most remarkable progress has been in the employment sector. In 1960 the country was only able to "invent" 250 jobs a year, a sad state of affairs that fed the scourge of unemployment and drove hundreds of thousands of Irishmen to look for work abroad. Now the trend has been reversed. Since 1973, 30,000 Irishmen have returned home to jobs in industry, the rate of growth of gnp is about 3.5 per cent a year, and exports have risen by 18 per cent.

On the other side of the coin there still remains the high rate of youth unemployment—which is almost three times the average for the EEC—and the low availability of skilled labour. As one foreign manager says: "The Irishman could certainly not be called the perfect worker. He is slow to learn new techniques, and has a marked fondness for absenteeism; in short, he has still a long way to go in order to acquire the necessary approach to work."

So far, about 60 small firms have given up. They all closed in Ireland for the same reason; the gain from tax exemption was more than lost by the import of efficient and, above all, punctual workers.

Many eyes have already turned apprehensively to 1980, the year in which the tax facilities should end. Their renewal will depend to a large extent on whether new oil deposits are found on the Irish continental shelf, in the region of Cork. In that case the Republic of Ireland could become self-sufficient in energy, and hence come to do without foreigners, a possibility which Dublin likes and the outside world likes less.

Piero de Garzaroli

## Keynes is still the inspiration

Continued from previous page

on the work of all and which assures the full employment on the basis of the work of just a few people, one can scarcely deny that this was the quid pro quo for a degree of social peace. Nor can it be gainsaid that the policy is likely to continue, and even be accentuated, in the future if as many technological innovations are introduced in such sectors as news, communications and management as were applied to industrial activities at the beginning of the last century. If this proves to be the case, it is difficult to see how it will be possible to take any other course than in the past, whatever the complications.

The only aspect of Keynesian

policy which is clearly unsuited to today's conditions is probably its protectionist content. That is not to say that the recent problems in international trade do not make the return or accentuation of certain forms of protectionism highly probable, but the scale of such manifestations of protectionism could only be limited. There is no comparison between the extent of integration of the world economy today and in 1930. Then it was possible, and indeed justifiable, to explain to a nation—the British—that it was beginning to pay too high a price for its declining domination and that it was better to withdraw from the world which it had fashioned almost alone and not without benefit to itself.

It is no longer possible for most Western nations to withdraw from the outside world since, although they are not fully aware of it, they are now part of a world economy. Devaluation is no longer an effective expedient to cope with an oil deficit, and unemployment exported through the door comes straight back in through the window.

Inflation is not the only shared experience. There are those who may be satisfied with explaining the inadequacy of the policies that have not progressed beyond Keynesian principles by blaming the purely national character of the theory underlying them, but they would be deceiving themselves.

A.C.

## Copper forecasts missed mark

Just as the economic forecasts of world-wide economic recovery by the second half of 1977 have proved false, so predictions of prices for copper, the most important non-ferrous metal, have been wrong. Most forecasts were agreed that copper prices would rise considerably in the second half of 1977.

In fact copper prices on the London Metal Exchange and the New York Commodity Exchange are only just above the low for the year, at £645.50 a tonne and 54 cents a pound respectively. These prices are below the depressed levels of last year.

There is, admittedly, a strong connexion between the inaccurate forecasts for the economies and for copper. Copper is a primary commodity, subject to extreme fluctuations in price. The principal consumers are the electrical engineering industry and other industries particularly affected by the state of the economy, like mechanical engineering and construction. And the electrical engineering industry has been delaying investment in the face of repeated appeals to save energy, and has hence bought less copper than usual.

Despite all this a London company, Amalgamated Metal Trading, has forecast annual consumption of copper at 6,700,000 tons for this year, easily above 1976 levels, although still far below record consumption in 1973 of 6,900,000 tons. The only year since 1970 in which consumption outstripped production was 1973. Production in the current year is expected to be 6,900,000 tons, and will again be considerably in excess of demand.

This over-production, which has persisted for years, has meant a vast increase in world copper stocks. At the beginning of 1970, world copper stocks in all countries amounted to 817,000 tonnes; at the beginning of this year they stood at 2,800,000 tonnes, and by the end of the year Amalgamated Metal Trading estimates that they will be 3,100,000 tonnes.

The ratio of stocks to consumption shows clearly the desperate state of the copper market. In 1970 world stocks were 19.3 per cent of annual consumption, today they are 45.8 per cent. And if this development is not

halted, Amalgamated Metal estimates that by 1980 the ratio will be more than 50 per cent.

This overproduction is particularly surprising because the market price (now 54 cents a pound) means that only very few firms can produce copper at a profit. The experts of The Economist Intelligence Unit give 65 cents a pound as the minimum break-even point for the bulk of copper producers. Production costs in the United States are actually 80 cents a pound, on average.

The reasons for the present unsatisfactory state of affairs are to be found in the later 1970s. Expectations of rising copper prices led the industry to open new mines and expand capacity. At present, according to Charter Consolidated figures, only 85 per cent of capacity is in use, on average, but this level of operation is still high enough to lead to further increases in stocks.

At a time of falling prices, the developing countries, in particular, are attempting to keep their earnings from copper stable by increasing production. Copper is the second most important commodity produced by these countries and is one of the 10 "core commodities" for which the developing countries are trying to get commodity agreements with the industrialized countries aimed at stabilizing prices.

A commodity agreement for copper has been in existence since 1967, when the copper exporting countries, Chile, Peru, Zaire, and Zambia formed CIPEC (Conseil Intergouvernemental des Pays Exportateurs de Cuivre). At the end of 1975 Indonesia was admitted to full membership, and Australia and New Guinea became associate members without voting rights. For a long time, however, CIPEC was simply not in a position to stabilize copper prices, above all because the United States, the biggest producer and consumer of copper, is not a member of CIPEC.

In the United States, President Carter has taken over the stockpile policy introduced by the Ford Administration. This was based on the idea that the United States should have strategic reserves adequate for a three-year war. As this still requires Congress's approval it will be some years before stockpile purchases can begin.

The only quick method of price

stabilization for now would be a cut in production of at least 10 to 15 per cent. This is, however, rejected by the CIPEC countries. An even more radical proposal comes from Mr Joseph Zimmermann, a director of Miles Metals Company, New York; an immediate halt to production, and assumption of a quarter of current stocks by market support institutions. This would produce a state of balance in the market by 1980.

Other experts believe that this would be brought about automatically if present low prices continue for any length of time. This is because most producers are selling below production cost, and would be forced in the longer term either to reduce production or to go out of business altogether. This group argues that the lack of willingness to invest among copper producers will bring about a state of copper shortage by the beginning of the 1980s. The question then would be, not how low can copper prices go, but how high.

Leo Fischer

## Europa

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# A to Z of the EEC

Useful forms of shorthand or polite euphemisms? A glossary of some of the commoner terms that have become part of the language of diplomacy in Brussels and what they really mean.

**ACP's:** African, Caribbean and Pacific developing countries granted financial aid and trading concessions by the EEC under the Lomé Convention. Association: status first granted by EEC to Greece, and now enjoyed by other Mediterranean countries, going beyond mere trade agreement but falling short of full Community membership.

**CAF:** Common agricultural policy. Common customs tariff: common tariff levied by the Nine on imports from outside the Community.

**Communautaire:** French term meaning roughly "community-minded". Certain states, notably France, are generally acknowledged to be much more skilled than others, notably Britain, in dressing up self interest in communautaire disguise.

**Community preference:** doctrine that EEC countries should give preference on their markets to imports from other member states, particularly in agricultural trade. A controversial exception are Britain's imports of New Zealand dairy products.

**Coreper:** abbreviation of French title of the committee of permanent representatives, the ambassadors who head the national missions of the Nine accredited to the European Communities in Brussels. The committee prepares meetings of the Council.

**Council:** Council of Ministers, the

body which represents the Nine and takes decisions on the proposals submitted by the European Commission. Not to be confused with the European Council.

**Court of Justice:** sits in Luxembourg; its main function is to rule on alleged infringements of the Treaty of Rome. Derogation: euphemism for permission to break the rules. EEC member states are asked to accept common rules in principle, but allowed many derogations in practice. It is the basis of the EEC's survival.

**Directive:** proposal by the Commission, which, if approved by the Council, leaves member governments free to introduce the appropriate legislation at the national level.

**EMU:** Economic and Monetary Union. Legendary objective involving ultimately the adoption of a single European currency and establishment of a single central bank and monetary authority, once talked of as a possibility by 1980. This target has long been abandoned, but the Commission is attempting to stimulate faster progress towards EMU.

**Enlargement:** what happened when Britain, Ireland and Denmark joined the Community and will happen again if Greece, Spain and Portugal do the same.

**Euratom:** the European Atomic Energy Community.

**ECSC:** the European Coal and Steel Community.

**European Commission:** the supposedly supra-national body which prepares and submits policy proposals to the Council.

**European Council:** thrice yearly summit meetings of EEC prime ministers. France is represented by its head of state. Not to be confused with Council of Ministers.

**European Parliament:** sits in Strasbourg and Luxembourg. Little more than consultative body, but may become directly elected for the first time next year.

**European union:** mystical goal vaguely referred to in the preamble to the Treaty of Rome. Taken by some to imply the eventual creation of a united states of Europe and by others to mean not much more than an obligation to cooperate more closely.

**Export restitution:** euphemism for the large subsidies that have to be paid to EEC exporters to enable them to sell the Community's overpriced food surpluses at competitive prices on world markets.

**Green currencies:** artificial exchange rates designed to shield the EEC's common farm prices, fixed in units of account, from the fluctuations of the national currencies into which these prices are translated. The rates are

sustained by monetary compensatory amounts.

**Harmonization:** progressive introduction of EEC-wide norms and standards designed to remove non-tariff barriers to trade. Standardizing urge led to misguided attempts to promote such absurdities as Euro-bread, Euro-beer and Euro-ice cream, now abandoned.

**Intervention price:** the market price at which the EEC buys up farm produce, such as beef and butter, and puts it into storage to prevent prices falling further. Central feature of the CAF, though not as sacrosanct as formerly, and enables the EEC to offer farmers guaranteed prices.

**Luxembourg compromise:** the agreement of the Six of January, 1966, which effectively gave every EEC member state the right to veto a proposal deemed to threaten a vital national interest. Insisted on by France as the price of returning to Council meetings which it had boycotted for much of the previous year.

**Mandate:** terms of the brief given by the Council to the Commission for negotiating trade agreements on behalf of the Nine.

**MCA:** abbreviation of monetary compensatory amounts, the terms used to describe the taxes and subsidies on farm trade used to maintain the green currencies.

**Mountains:** stockpiles of surplus beef, butter and so on created by intervention.

**Nine:** present members of the EEC.

**Owo resources:** source of revenue of the EEC budget, consisting of common duties on industrial imports, variable levies on farm imports and the receipts from value added tax levied at a rate of up to 1 per cent on a common list of goods and services.

**Political cooperation:** coordination of foreign policy by the Nine outside the framework of the Treaty of Rome.

**President:** title enjoyed for six months by each member state in turn. The country holding the presidency chairs meetings of the Council. Not to be confused with the presidency of the Commission currently occupied by Mr Roy Jenkins.

**Qualified majority:** system of weighted voting used in the Council designed to make it impossible for one big country on its own to block a proposal or for the smaller countries acting together to be outvoted. Seldom used in practice because of indiscriminate resort to Luxembourg compromise.

**Regulation:** proposal from the Commission which is approved by the Council immediately becomes law in all member states.

**Reserve:** euphemism for often serious objections which a member state may have to a given proposal which it nevertheless accepts in principle.

**Schloss Gymnich:** German chateau which has given its name to the twice yearly informal and supposedly secret meetings of EEC foreign ministers first held there.

**Six:** EEC before Britain, Denmark and Ireland joined.

**Transition:** five years allowed Britain, Ireland and Denmark after entry to adapt to the requirements of EEC membership. This period runs out at the end of this year.

**Units of account:** embryonic European currency used as a device for calculating the EEC budget, fixing farm prices and in certain transactions with non-Community countries. The value of the unit of account in national currencies depends on the purpose for which it is being used.

**Variable levy:** euphemism for import controls. Special taxes, which can be varied according to market conditions, exacted on imports of farm produce into the Community to prevent them undercutting generally more expensive Community produce. In some cases the levies are so steep as to amount to an import ban.

Michael Hornsby

J Jacques Ferry

## Steel: crisis hour

French employers are traditionally inimical to dirigisme, whether national or international. Despite this, M. J. Jacques Ferry, Chairman of the Chambre Syndicale de la Sidérurgie (French steel-producers' association), has accepted state aid for several years in his efforts to tackle the industry's serious problems.

In the early 1970s, for instance, the massive investment programme considered necessary to meet competition from abroad was made possible by substantial loans from the Government. And, more recently, the plan to solve the French steel industry's crisis by reducing the labour force by 16,000 between May 1977 and May 1979 came into being as a result of negotiations with senior government officials.

Vice-chairman of the CNPF (the French employers' organisation) and chairman of its influential economic committee which deals with international relations as well as economic policy, M. Ferry wears his 64 years' glory after a lifetime packed with economic, political and human experience. This may well be the strength which enables him to counterbalance the weaknesses inherent in his position at the head of an industrial organisation which is chronically sick, unreasonably dependent on the state and threatened with nationalization by the parties of the left.

But does he not also have the irony of fortune on his side? We are now

seeing a repetition throughout Europe of the type of situation he experienced in France a number of years ago. The European steel industry, under attack from all sides, is going through a crisis. On its own markets, which are the only major industrial markets to remain open to all onslaughts from abroad, the battle is raging, while abroad, particularly in the United States, the competition is protecting itself securely against intruders. Even the German steelmakers, traditional supporters of complete free trade, are beginning to come round to the line taken by those in favour of coordinated action by the industry as a whole and negotiation of international agreements to lay down standards for relations between competitors.

Since the beginning of this year M. Jacques Ferry has been chairman of Eurofer, the association of the principal steel producers in the nine countries of the EEC, and in this capacity he has been in constant touch with Viscount Etienne Davignon, the member of the European Commission responsible for industrial affairs, so that he now commands attention among the industry and among the administrative authorities.

In pressing for the opening of negotiations between the European Commission and the American Government to put an end to the unfair competition and hypocritical protectionism which are on the increase,

M. Ferry originally set various initiatives in motion, but eventually Viscount Davignon declared that he was in favour of negotiations of this type "on condition that they were sufficiently broadly-based to lead to proposals which would entail some commitment on the part of the Japanese steel industry as well. This seems to be leading up to something akin to the proposals (universally rejected at the time) for a world conference on the steel industry which M. Ferry made more than two years ago in the belief that it was the only way of avoiding a major crisis.

Come what may, market organization is developing on a world-wide scale, while dirigisme is taking a hold on the domestic front. The choice has to be made between the lesser of two evils and, surely, crisis leading to successive bankruptcies or massive redundancies both in Europe on the one hand and in the United States and Japan on the other is the greater evil. The question which now arises is whether what we are seeing in the steel industry—a new development as far as Europe is concerned—does not foreshadow future developments in other sectors of the economy. Does it mean that, in order to reach agreement among themselves and with the authorities, Europeans have to be at the end of their tether?

Jacqueline Grapin

Piaggio

## Revolution on two wheels

Piaggio, the Ligurian firm that produces mopeds and the Vespa scooter, was founded in 1884 and originally manufactured products for the shipbuilding industry. Subsequently it extended its activities to manufacturing railway carriages, and finally entered aeronautics—in 1915.

Immediately after the last war Piaggio, like many other Italian firms, was faced with the problem of converting its plant back to production for normal civilian commercial needs. Thus, from an original idea promoted by Enrico Piaggio and developed by a team of designers under Corradino d'Ascanio, the Vespa was born.

This revolutionary two-wheeler was the fruit of technological experience far removed from the final product, a vehicle with a stamp entirely its own. The main requirements were to be able to get about on two wheels without getting dirty, to be able to mount and dismount without fuss, to have an easily replaceable spare wheel and to keep running costs, both of fuel and maintenance, very low.

With this previous experience in the aeronautical industry, the team was able to produce an original design to meet these requirements, with a load-bearing body structure, direct transmission from the engine to the rear wheel, interchangeable wheels, a front suspension of the type used on aircraft undercarriages and, throughout, the use of light alloys to keep weight down.

The Vespa's success, which is continuing after 30 years in production—six million Vespas have been sold all over the world—has been accompanied by various myths, such as that it uses aircraft undercarriage wheels or aircraft starter motors. The truth is that it is a newly-designed product through and through.

Since February Piaggio—a company with a turnover of 200,000 lire in 1976, and a forecast turnover of 250,000 lire for this year—has had as its managing director and vice-chairman (the chairman is Signor Umberto Agnelli) Signor Giovanni Squazzini, born 54 years ago in Novara and a graduate of Turin Polytechnic in 1946, who came to Piaggio from Lancia, where he had been managing director for three years. We asked Signor Squazzini a few questions. What are the prospects in Italy, and in Europe as a whole, for the two-wheeler market?

In 1976 total Italian production of motor-powered two-wheelers—excluding, therefore, bicycles—was over a million machines, an increase of approximately 21 per cent over 1975. Of these, 770,000 were mopeds. Over the same period Piaggio's share of total production was 500,000 machines. In the first six months of 1977 there was an increase of 24 per cent in total production. Piaggio's own output grew correspondingly, and we reckon to produce about 550,000 machines of various engine capacities (from 48cc

to 200cc) this year.

About half of Piaggio's production is taken up by the home market, and the remainder is exported. Where exports are concerned, I might just mention that the total amounted to 340,000 machines, of which 244,000 were made by Piaggio.

With regard to the immediate future, both mopeds and scooters can look forward to a period of growth although, in the case of mopeds, competition in the export market is becoming increasingly fierce from the French, Germans and Japanese.

There may be a substantial increase in our exports to the United States, where President Carter's energy policy presents interesting growth prospects for low consumption two-wheelers, especially mopeds. Piaggio's profit and loss account shows your firm's solidity and substance. What do you think of Italian publicly owned industry, about which the same cannot be said?

My main concern is to ensure that Piaggio continues to be a solid, dynamic, efficient company, just as I found it. As far as the publicly-owned sector is concerned, I hope it may soon shake itself free from the difficulties with which it is at present bedevilled, since this is in the interests of the entire Italian economy, which will benefit accordingly. What every firm must preserve is the competitiveness of its products compared with those of its international competitors. This is the only yardstick.

How are relations with the trade unions in your firm?

We have established a policy of continuing dialogue with the workers' organizations, so as to obtain agreement where company policy is concerned. Adjustment and updating to meet the indispensable needs of technology must, at the same time, bring positive answers to social needs. The last union dispute over the renewal of the labour agreement was settled, after searching discussions, to the satisfaction of both sides.

Has the oil crisis helped the two-wheeler market?

The high cost of oil undoubtedly favours the use of low-consumption vehicles, especially for short journeys and in towns. But in spite of that, the present economic crisis and prevailing inflation are not favourable factors, not even for the two-wheeler sector, since the reduced purchasing power of the individual can affect our market.

And now about yourself. You come from Lancia, the car firm you revived successfully. What do you think of your move from the four-wheeler to the two-wheeler sphere?

Cars were my first love, which turned into a marriage that lasted almost 30 years. Obviously, one never forgets one's first love, but it is also true to say that we are not divorced, since I am still managing director of Ferrari, which is the most symbolic and exciting of all the four-wheelers.

I have discovered the world of the two-wheeler day by day, from the time I joined Piaggio. It is an extremely interesting world since it is youth-oriented, and I find young people competent and determined in the choices they make. That is why you have to offer them products which measure up to their expectations—youth allows no mistakes. As far as technology, market research and the means of production are concerned, it is no different from producing four-wheelers. There is one advantage: being in contact with young people keeps you a bit younger. And that is quite a lot.

Renzo Villare

## Agriculture: embarrassment of riches

The negotiations on farm prices about to start for the year ahead traditionally mark the zenith of the European agricultural timetable, providing an opportunity to reappraise the health of the Common Agricultural Policy and to consider any adjustments.

The main feature of the dim situation confronting the Nine is overproduction. A new development, which is disturbing for countries like France, The Netherlands and Italy which 20 years ago banked on the agricultural common market of a "green Europe" in which the influence of specialization would decline and each member state would become or aspire to become self-sufficient, is that there is now a permanent surplus in a number of key products—sugar, beef, wine.

Stocks continue to rise and the cost of absorbing them is placing an increasing burden on Community finances year by year; expenditure on price maintenance by the European Agricultural Guidance and Guarantee Funds (EAGGF) since 1973, the year when Britain, Denmark and the Republic of Ireland joined the EEC, has risen as follows: 3,500m units of account in 1973, 4,100m in 1974, 4,700m in 1975, 5,500m in 1976, 7,100m in 1977 and an estimated 8,300m in 1978.

What is the explanation? In addition to the well-known factors (prices pitched too high originally, gaps in the arrangements for protection of EEC members by allowing excessive imports of vegetable proteins), two more recent phenomena have contributed to the deterioration of the situation.

The first of these has been the crisis. The Common Agricultural Policy was based on the assumption of economic expansion and prosperity which, the eager lawgivers of the 1960s believed, would be sufficient to eliminate the inherent imperfections of an operation (integration of old Europe's farming industries) which was both novel and revolutionary. Today, agricultural modernization is being held back by the difficulties experienced by farmers wishing to switch to other occupations.

The stagnation in purchasing power is having an adverse effect on consumption. Governments under pressure from all sides to revitalize their flagging economies, are naturally paying more attention to the rise in EAGGF expenditure.

The second new factor is monetary disruption. The problem is well known: actuated by political expediency member states have

generally chosen to cushion farm prices against fluctuations in their exchange rates.

European agriculture is functioning under an artificial exchange rate system whose commercial effects are corrected or supposedly corrected by the application of compensatory monetary levies. As a result agricultural production and expansion in the countries with strong currencies—led by West Germany—enjoy an abnormal advantage and this has undoubtedly done much to impede the normal development of farming.

A few statistics will serve to illustrate this situation. West Germany is the country where milk and meat stocks are highest. In September 1977 stocks of powdered milk, a particularly critical product, stood at 657,080 tonnes in West Germany, compared with 180,000 tonnes in France and 140,000 tonnes in the three Benelux countries together. On the trade side, the Germans are steadily ousting the French as exporters of animal products to Italy. This is serious, because such specialization in this way jeopardizes the productive potential of the EEC regions whose only asset is their agriculture.

What action has the EEC taken? What does it intend to do to rectify the situation? The need for action seems all the more urgent with the

prospect of the enlargement of the Community to include Greece, Portugal and Spain, which complicates the issue in that it would necessitate the reorganization of farming in the Mediterranean. The European Commission reiterates that a policy resulting in surpluses must be rejected, but has yet to put forward firm proposals in pursuance of this profession of faith.

Apart from its efforts to secure the gradual elimination of compensatory amounts and thereby a return to unity of farm prices, it has been content with timid exploration of two courses, the first aimed at enlisting the aid of producers in its endeavours to reduce the surpluses. This is the "joint responsibility levy", the 1.5 per cent tax on milk.

This exercise already seems doomed to failure. No one in Brussels believes that it will lead to a reduction in output—small dairy farmers are not being discouraged, but merely messed about—is the comment of one expert—and there is scepticism about the effectiveness of the new expenditure on increasing outlets which is being funded with the proceeds of the tax.

Encouraging consumption by reducing prices is the aim of the proposal put forward by Mr Finn Olav Gundelach, the Danish commissioner respon-

sible for agricultural affairs, in the hope of reforming the support system applicable to beef and veal. The effect of this proposal would be a reduction in the intervention price, but it has little chance of being adopted by the Nine.

Apart from these modest attempts, there is no coherent scheme for improving the Common Agricultural Policy. In the harsh judgment of one senior European civil servant: "To judge from what one hears from Mr Gundelach, all one can look forward to is the fundamental and disastrous idea of imposing a reduction in the guarantee on basic products, a typically liberal solution promising disaster in a Community where farmers still amount to 10 per cent of the working population in many regions."

The truth is that now, just as in the past and perhaps more so as a result of the present crisis, there is no alternative to the Common Agricultural Policy other than the destruction of the Community. With a commission so lacking in imagination, initiative and policies, this is the only reason for remaining relatively optimistic and believing that once again the catastrophe so often predicted will not take place.

Philippe Lemaitre

## Energy: opportunity for accord lost

Both the national oil companies and the political authorities have been making efforts over recent months towards the establishment of a European Community energy policy. Is this a realistic objective when some member countries (Britain, The Netherlands, West Germany, Belgium) have abundant supplies of hydrocarbons or coal and others have none?

The refining crisis which is affecting the whole of Europe could have brought the EEC countries closer together, but the most recent meeting of the energy ministers of the Nine demonstrates that this is far from being the case.

Up to 1973 the oil companies had invested substantially to serve a market which was expanding steadily, but the fall in consumption after the increase in oil prices and the difficulties of the world economy resulted in a surplus of some 35 per cent in refining capacity within the Community.

This development would probably not have been too much for the less powerful companies had it not been coupled with a big distortion of competition between the European oil producing companies (with another source of income) and the others. In an article published in August 1977, Herr Jurgensen, a Hamburg professor of political economy, pointed out: "Since 1974, companies controlling almost half of the refining capacity in West Germany have been allowed to offer nearly DM 2,000m (roughly £500m) a year whereas the other operators have no other recourse than the choice between an actual loss and a distortion of profits to the detriment of expanding sectors."

As West German tax law allows consolidation of profits on production and losses on refining, prices fell with the result that companies were obliged to sell at a loss. And the contagion of German prices has spread to most of Europe. In time this could lead to a decline in exploration by European

companies, which would in turn increase Europe's dependence on the outside world for supplies of crude.

If the national companies—VEBA in West Germany, Petrofina in Belgium, ENI in Italy and CFP and Elf-Aquitaine in France—were the first to react, this is because they were deeply affected by the collapse in prices. One only needs to consider their debt ratio (ratio of long-term debts to capital) at the end of 1976 to be convinced: SNEA and VEB 42 per cent, CFP 46 per cent, Petrofina 54 per cent and ENI 59 per cent whereas Mobil has the highest debt ratio among the important companies at 24 per cent, followed by BP and Shell at 23 per cent, Texaco at 19 per cent, Socal at 17 per cent, Exxon at 14 per cent and Gulf Oil at 13 per cent.

The five European companies, which had already sent a memorandum to the EEC Commission on July 23, 1976, reiterated their proposals for the limitation of refining capacities, aid to exploration and publication of a scale

of prices at the beginning of November 1977. This year France, The Netherlands and Italy have also submitted memoranda to the Community. But whereas the Italians are calling for the establishment of an oil community along the lines of the ECSC (European Coal and Steel Community), the Dutch are only thinking in terms of consultations over the creation of any new refining capacity and are against any reduction in existing capacities.

A proposal published by the EEC last March, on the other hand, called for the closure over the next few years of surplus plant with total capacity of 145,000 tons. Thus the disparities between individual countries' energy resources are compounded by differences in political philosophy and national vested interests. West Germany and The Netherlands, in the name of their liberal policies, are hostile to publication of a scale of prices and support the proposals for the monitoring of transactions on the Rotterdam market, which the "five"

consider unhelpful.

On October 25 in Luxembourg Britain once again invoked its regional policy to reject all constraints on its plans for industrial development. The West Germans are as opposed to the introduction of minimum prices proposed by France as the French are to the voluntary quotas which Bonn might be prepared to accept. The only common ground among the Nine is on the subject of imports of refined products.

In the face of this lack of agreement pressure is mounting for the formulation of national policies, especially in France and Italy. The French Government is helping Compagnie Française des Pétroles and Elf-Aquitaine by increasing the hydrocarbon support fund (at present 245m francs). This would be a device for compensating losses in refining under the guise of providing funds for exploration. But Europe will have wasted a good opportunity for concerted action.

Bruno Dethomas

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A look at how the next generation will cope

## In the steps of their fathers

What hope is there for Europe in the hands of the next generation? This was the central point in a survey carried out by Deutsche Shell to mark its seventy-fifth anniversary. Shell carried out the work together with the Emnid Institute for Market Research and Opinion Polls, with the Ifop-Etmar Institute in France, and with Social Survey (Gallup Poll) in the United Kingdom, and has now published the results. In the course of the extensive survey by the three groups, the researchers came up with results that agreed to an unusual degree. It is possible to argue from their conclusions that European values have permeated Europe's youth thoroughly.

All the young respondents attached great importance to getting on at work: in the United Kingdom 95 per cent of respondents in the age-group 12 to 23 (half male, half female) felt this was important, in France 86 per cent and in West Germany 80 per cent. Public spiritedness was approved by 87 per cent of West Germans, 81 per cent of French and 78 per cent of United Kingdom youth. Thrift was regarded as a good quality by 81 per cent of the British youth, 80 per cent of West German youth and 74 per cent of French.

The greatest difference was in the question of how young people saw property: only 62 per cent of the French respondents thought it was a good thing, while 81 per cent of United Kingdom and 84 per cent of West German youth approved of it. This marks a radical change in the West German attitude since 1960, when only 44 per cent of those asked thought that property was absolutely necessary, and 21 per cent actually rejected it.

One particularly interesting question probed socio-psychological aspects of European youthful personalities: "Imagine that you have done something wrong, you have been short with someone who has been good to you—what would you do?" Seventy per cent of respondents in West Germany and 76 per cent in the United Kingdom said they would apologise, 17 and 16 per cent respectively said they would try to make it up by some action. French youths reacted in an entirely different way: regard for one's fellow men is particularly important and widespread there. Ninety per cent would apologise, and as many as 46 per cent would try to make up for the slight.

How often do young people in Europe read a book? The question asked was: "Who has read at least one book in the past fortnight?" The answer: 71 per cent in France, 68 per



cent in the United Kingdom and 59 per cent in West Germany. Further analysis of the replies produced some interesting sidelights, for instance that the frequency of reading books is related to the level of education in West Germany, while in France people at all educational levels read books: young people there with less education read twice as much as those in West Germany.

How strongly developed is their interest in politics? It seems comparatively highly developed in France, only moderate in West Germany and weak in the United Kingdom. Of the West German sample 57 per cent discussed politics at home, another 45 per cent of them discussed politics with their friends, one in four read the political comment in the newspapers, and 13 per cent attended meetings.

In France, politics has no place in the home: 24 per cent of young people discussed politics in clubs, 17 per cent attended lectures, 16 per cent

talked about politics with their friends, and 13 per cent belonged to discussion groups.

The lack of interest in politics among young people in the United Kingdom was shown in the 40 per cent of the sample that did not reply to this question at all: 36 per cent said that they discussed politics with friends, 28 per cent with their families at home. The report concludes: "In all European countries there is a link between more critical attitudes and the level of education, but virtually nothing remains of the highly critical tendency of students in higher education which we saw in West Germany in the late 1960s."

The European institutions and their work do not appear to strike a chord among the continent's young people: when asked if they followed the debates in the Parliament at Strasbourg or read about the conferences at Brussels, only 11 per cent of West Germans said that they did, 11 per cent of United Kingdom youths were interested, but 21 per cent of young people in France took an interest. Naturally, the degree of interest increased with age, but the European events in the Parliament and Commission were dismissed as "uninteresting" by 80 per cent of West Germans between 22 and 23, 79 per cent of United Kingdom respondents in this age group and only 48 per cent of French respondents of this age.

The increase in knowledge of a foreign language is an important positive factor in increasing contact between present generations, and hence in advancing the cause of European unity. Of the 53 per cent of West Germans, 68 per cent of United Kingdom youth and 55 per cent of French who do not speak a foreign language, were asked "Would you learn a foreign language if it was free?" On this condition 50 per cent of West German youth would learn English and 19 per cent would learn French; 63 per cent of the French would learn English and 15 per cent would learn German; and 37 per cent of the United Kingdom youth would learn French and 23 per cent German.

Taking all age groups, 45 per cent of young West Germans are able to read newspapers in English, and 14 per cent in French; 6 per cent of young British people can speak German and 24 per cent speak French, and 8 per cent of young French people speak German and 28 per cent English. In West Germany, knowledge of a foreign language is related to the level of education: in the top educational group 90 per cent speak English and 50 per cent French.

French figures are somewhat lower:

at comparable educational levels only half speak English and 12 per cent speak German. The United Kingdom is strongly affected by its traditions of getting by without foreign languages: the best results are to be found among the upper middle educational stratum, where 12 per cent speak German and 39 per cent French: the top educational level makes a rather poorer showing.

And what does European youth feel about its prospects at work? Is hard work the only important factor, or does success depend to a great extent on the wealth of one's father? Or do you need luck as well? In France the youth from the families with the lowest incomes and little education are convinced that a young person's succession a profession is better; the higher the social standing of his father. Those respondents in France in the upper social groups were certain that everyone started from the same point in employment, irrespective of the father's social position and income. The researchers posed the question whether those with a higher education knew more about the real conditions than the others.

In the United Kingdom, where there is a different democratic tradition, there is a rapid falling-off in the belief in the significance of equal opportunity in the occupations with age and education. Already at 17, the idea has begun to gain ground that the position and income of one's father can be decisive. The same trend is apparent in West Germany, where the older and better educated share the opinion that the father's status is

critical for one's start in an occupation.

The pollsters were surprised to learn that in the United Kingdom, where there is the highest proportion of unemployed among young people, all age groups share the belief that their prospects of employment are very fair. Only 9 per cent of United Kingdom respondents felt their prospects were poor or very poor. Corresponding figures in West Germany were 12 per cent and in France 23 per cent. In these countries, pessimism increased with age of the respondent.

A frightening conclusion for sociologists is the decline in interest in further education among young Europeans. Eighty-seven per cent of young West Germans, 85 per cent of young people in Britain, and 81 per cent in France were not interested in courses in adult education, further training, correspondence courses, vocational training, apprenticeships or external university degrees.

How mobile is Europe's youth? The answer is, very. Some 54 per cent of United Kingdom respondents were ready to work for a considerable part of their working life in another EEC country, 49 per cent of French, but only 39 per cent of West German youths were willing to leave their homeland for any time. The willingness of West German youths to work in England fell with age, but their readiness to go to France remained constant for all age-groups at 20 per cent. Other EEC countries were scarcely considered at all by young West Germans.

In the United Kingdom, however,

Increasing numbers and proportions of young people were interested in working in West Germany, but significant numbers were willing to consider Italy and the Benelux countries as well. Of young Frenchmen and women 24 per cent were prepared to work for a while in Britain, 18 per cent were interested in working in West Germany, and 11 per cent each in Italy and the Benelux countries respectively. The same trend was visible throughout: the higher the level of education among respondents, the more mobile they were.

The pollsters interpret the limited extent of nationalist pride among European youth as "acceptance of further European extension". Only 16 per cent of West German youths said they were proud to be German, 44 per cent said they did not have strong feelings either way; 26 per cent of young respondents in the United Kingdom replied that they were very proud to be British, and 26 per cent were indifferent. Astonishingly, only 10 per cent of young French people were "very proud", and 52 per cent were indifferent about their nationality. In all the countries, however, this indifference towards nationality was strongest in the upper social groups: the figures were 63 per cent in France, 60 per cent in West Germany and 80 per cent in the United Kingdom.

The conclusions are obvious: Europe's chances for future unity increase with increasing education and standard of living among the inhabitants of the continent.

Hans Baumann

Personnel managers become indispensable

## 'Firemen' climb the company ladder

In the industrialized nations the organization of the firm has developed on similar lines to their economies. European academics and practitioners have been gathering at a conference of the Deutsche Gesellschaft für Personalmanagement (German Society for Personnel Management) to discuss "the current state of development in personnel management in enterprises in European countries". The last conference on that theme was in Stockholm in 1966.

How have scientific and political changes in this decade affected personnel management? Has the status of the personnel department in the firm changed relative to other departments? Where does personnel management fit into the firm? Have the tasks of the personnel department changed? Those were the central points under discussion.

M Jean Enderlin, of the Association Nationale des Directeurs et Chefs du Personnel, Paris, outlined developments in personnel management in France since the end of the last war. The personnel manager began as the "fireman" or "welfare worker". This early stage was marked by "early struggle by France to build up her economy, and the general withdrawal from the French colonies". M Enderlin said that "a firm's first task was to produce and be economically viable. The personnel manager's tasks were essentially subservient to these goals".

The disturbances in May 1968 changed those tasks. More and more qualified people were sought who could defuse social tensions skilfully and incisively. The manager of personnel was "increasingly established in company management". The economic boom that was taking place at this time, with the accompanying need to find markets led to the replacement of traditional assessments by scientific approaches: the worker's suitability for his job became a method of rating.

The later phase began with the oil crisis of 1973-74: "the economic crisis, unemployment and the worker's desire for a steadily-increasing standard of living, these have all made the company a focal point and centre for the tensions of life". Where the personnel manager had been the "executive" during the second phase, M Enderlin now sees him to a great extent as an "adviser and mediator".

In addition to his previous tasks, the personnel manager must now act "as an adviser to top management, to be a mediator in tense situations, and adapt the company's social strategy to its other key policies", according to M Enderlin. "And this state of affairs is being made worse by state interference, social legislation and other policies."

In West Germany, too, the status of personnel management has risen. "Companies today see personnel problems as being as important as finance or production decisions", Herr Hans Friedrich of the German Society for Personnel Management, Düsseldorf, says. An important influence has been the increase in labour legislation, legislation on company structure and social policy, which has been the spur for this development.

This resort to legislation to help to improve labour relations is typical only for West Germany: in other European countries such matters are dealt with by negotiations between the parties concerned. As early as 1951 West Germany had its first law to introduce equal representation on the advisory board in the coal, iron and steel industries. Other legislation at this time put worker directors into top management in public and limited companies. In 1976 not-quite-equal representation was introduced for firms with more than two thousand employees.

As a result of all this there are 200 personnel managers sitting on boards. Herr Friedrich believes that

this figure will be more than doubled in the next few years. The other 3,000 personnel managers are directly below board level in their companies.

Together with the rise in status, the level of qualifications has also risen among personnel managers. Three quarters of managers and more than three fifths of personnel staff at managerial level have university degrees. At the middle and lower levels there are two schemes leading to the qualifications *Personalwirt* and *Personalfachkaufmann*.

"The involvement of personnel in the economic and social problems faced by firms is going to increase further", Herr Friedrich predicts in this review of future developments. The status of personnel departments will go up in West Germany, and there will be a corresponding increase in the use of scientific results and methods in commercial personnel administration.

This advance of personnel management into the boardroom has begun to show in Italy recently, particularly among the bigger companies. A decisive factor there is not just the recognition by top management of the importance of personnel selection, but also the question of relations with unions. There is no worker representation on company boards in Italy.

In practice, union influence on employment and investment planning is no less pervasive there than in those countries where codetermination is formally required. The main channel for this influence in Italy is the annual wage negotiations which supplement the general wage agreements, usually three-year agreements, and make adjustments for local circumstances. Frequently in those negotiations the decisive element is company policies in personnel matters: for that reason alone, the company representatives in the discussions have to be either directors themselves, or close to board status. So far, naturally enough, only the bigger firms have drawn the logical conclusions, and those firms lay great emphasis on personnel questions. This trend towards upgrading the status of the personnel manager is becoming evident in middle-size firms as well, and that is reflected in the extent to which

his salary is catching up with top management.

Staff welfare has a long history in Britain: in 1913 the Institute of Industrial Welfare Work was founded, which shifted the emphasis from welfare work to personnel. In 1946 it was incorporated in its present name, the Institute of Personnel Management. Mr Bernard Dixon, of the Institute, told how the personnel department in the 1950s was responsible for employing, looking after wages and salaries, training and negotiations with unions. During the next decade conditions changed even more quickly for personnel managers. New attitudes and methods were needed.

Mr Dixon says: "The influence of government became increasingly important, the difference between workers and staff disappeared with 'staff status' and interchangeability of jobs became more natural."

The trade unions' role also changed as the service industries expanded faster. In many industrial national wage negotiations were held at national level. Over the past 10 years, human relationships have become increasingly important. Mr Dixon noted that Britain is also showing the trend towards the personnel director, with his place at the top of the company hierarchy. That and other international effects—such as the rise in unemployment—are influencing the workings of the personnel department. According to Mr Dixon, "unemployment means that wages cannot be decided by market mechanisms any more."

The unions have also been increasing their power, and have begun to penetrate the "white collar" sector. The Institute has grown along with the rise in importance of personnel, and this is not only shown in the increase in membership, which has grown from only 3,000 in 1950 to 18,500 now. Mr Dixon cites two particular instances, "the institute has developed its own training scheme which more and more personnel staff are taking up, and the Government is consulting the institute on increasingly important questions relating to personnel management."

Erwin Schneider

On the contrary

## Alimentary, my dear Watson

"My dear fellow", said Sherlock Holmes, as we sat on either side of the fire in his lodgings at Baker Street, "we face a most intriguing series of mysteries."

"What are they, Holmes?"

"Alimentary, my dear Watson. There is the mystery of the mayonnaise from nowhere—surplus butter with a herbal flavouring. There is the Russian butter enigma or, to be more precise, that of the European butter sold cheaply to Russia but reappearing in Italy. You are familiar, of course, with the great butter mountain scandal, and the unfathomable wine lake. But have you heard of the phantom grain ship?"

"Phantom?"

"A figurative expression. It plied between Rotterdam and Antwerp, collecting export subsidies on every trip."

"Have the miscreants been apprehended?"

"I fear not. The real culprit is still at large."

"Professor Moriarty?"

"No, Watson: the complexity of our farm regulations. And I fear that they will worsen."

Just then, Mrs Hudson entered. "Three gentlemen to see you, sir."

"From Greece, Portugal and Spain, I wager. As I said, Watson, our problems become more baffling every day."

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BY THE FINANCIAL EDITOR

## What is the NEB's philosophy?

Investment castigators have already shown horror at the National Enterprise Board's successful bidding of Trafalgar House to get control of Fairway's British assets. It is the NEB's first full-blown bid against a rival bidder, the private sector, and the vision of the NEB mobilizing its millions of taxpayers' money to take out a business already established with an alternative solution is calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid to take over Guinness over White Child & Co., although admittedly it did not make the full counter offer. It has always been its philosophy to invest in profitable concerns as well as the lame ducks dropped in its lap by the Government. The exit price earnings of just under 9 is by no means negligible and the margin by which it has

### NEB's other investments

Companies	% held	cost £'000
Recording	57.4	3,137
Radio	50.0	500
Inter	100.0	25,186
Radio	73.3	650
Radio	100.0	1,200
Radio	50.0	500
Radio	48.3	1,771
Radio	100.0	550
Radio	29.9	549
Radio	24.4	12,083
Radio	20.4	87
Radio	100.0	400
Radio	26.0	504
Radio	33.3	997
Radio	17.8	1,880
Radio	100.0	546

Investments excluding British Leasing and Radio-Rec

bid Trafalgar is not excessive; and a profit of £4.8m from companies acquired for £20.5m comply with the 15-20 per cent return on capital criterion just outlined for the NEB by Mr Varley, the Deputy Secretary.

But the bid does raise again the more fundamental question of whether the NEB is a cogent investment philosophy or whether its spending is wholly piecemeal. Is not clear what "industrial logic" lies behind this latest addition to the NEB's portfolio, a point which is bound to lend light to those who argue that its main objective at the moment is simply to commit money as quickly as it can so that its scrambling by an unsympathetic Conservative government at some future date is the far more difficult.

The other, more practical question is whether it is possible for any investing institution to make significant new equity investments successfully at the pace of the NEB. So far it seems to be going well, excepting, of course, its lame ducks but it has been the speed of investment that has been the subject of criticism. How apprehensively the NEB can monitor its string commitments, let alone get involved in new ones.

quell Osborn

### Why Weir went away

It is easy to see from Samuel Osborn's full results why the group failed to reach agreement on terms for a take-over from the H & C Group. Osborn was expected to make out £2.4m profit, but the actual instead of the published return is £3.4m, and if his calculations were almost certainly based on the lower figure.

Clearly all the Osborn gain has come from steel activities, which, by rights, and in comparison with every other steel company, had to have been having to pull all the 15 out even to stand still. In the event, the group's profits have risen from £273,000 to £3m, so that the profits in the second-half were more than £1m.

The explanation apparently is that the 'lesfield plant, which the group moved some five years ago, has at last paid in terms of productivity, with higher unit and lower unit costs bringing big profits.

Thus a company which looked hard pressed to survive as an independent unit

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can—on these figures—both survive and grow.

This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable; the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

● The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates. But the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few days the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday's move was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10½.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Selling was developing last Wednesday and on Friday the market was in full retreat. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 95½ last night compared to an issue of 99½ which it yielded 10½.

The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the rapidity of the setback and the evident willingness of investors to get out at the first sign of trouble, raises real question marks over the underlying strength of investment demand for sterling Eurobond issues.

Harrisons & Crosfield

### A challenge in plantations

Having already beaten off one attack this year on part of its empire—then it was Golden Hope which was under attack—Harrisons & Crosfield is now facing another threat. This time it is by way of a bid for Malayan Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.99 per cent of Malayan, is bidding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.64 per cent and Malayan (whose chairman, Mr Frederick Harper is on the H & C board) rejecting the bid, the firm scented an eventually increased offer and the shares rose 2p to 24½p.

Malayan's situation is complicated as it prepares for Indianization since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayan shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayan is important to H & C since it controls some 2.8 per cent of Harrisons' Malaysian Estates. Two other companies held on similar minority holdings—London and Sumatra and Harcor—bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayan stake, the possibility of selling the HME stake back to H & C was raised although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to see Malayan out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

Sections of the Employment Protection Act, on which the TUC probably placed greatest store, those dealing with trade union claims for recognition, have resulted in such a tangle of law suits and so much less argument between the Confederation of British Industry and union leaders that there is talk about the desirability of repealing them altogether.

The TUC is concerned because in some respects the clauses threaten to override its own procedure for settling disputes between unions, the so-called Bridlington procedure. The CBI complains that the way the Act is being interpreted by the Advisory, Conciliation and Arbitration Service (Acas) is increasing trade union fragmentation and has resulted in loss of confidence among employers in the impartiality of the service. It is pressing for the Act to be amended under which claims should be decided.

Both the TUC and the CBI have nominees on the council which runs Acas and its last week's meeting was devoted largely to arguments about recognition cases. Next week the council will meet again for a full discussion of the CBI demand for fixed criteria, though with little prospect of agreement. Meanwhile, at least one private member's Bill to amend the clauses will soon be presented to Parliament by a left-wing Labour member.

The seventh writ this year challenging the legality of recognition claim handling was served at the Acas office in Westminster last Friday. The Law Lords are meanwhile expected to give their verdict at last on the most publicized case, arising out of the Grunwick dispute, before Christmas. Acas is obliged under the Act, if a claim for recognition for the purpose of collective bargaining is referred to it and cannot be settled by conciliation, to consult all the parties

involved and to find out the opinions of the workers affected before making a report. The Grunwick case arose because Acas could not, and therefore did not, consult all the workers at all.

The latest writ, issued by a non-TUC union, the United Kingdom Association of Professional Engineers (UKAPE), questions a decision by Acas not to recommend recognition to an engineering company, although there was strong support for it among the workers. Of the other five writs one affecting the Legal and General Assurance Society was followed by court action which was lost. The other actions are still pending.

Besides these there was a threat of legal action by the Engineers and Managers Association (EMA) to force Acas to deal with a recognition claim for some of its drymen engineers at a GEC plant at Whetstone. A TUC dispute committee ruled last March that the EMA contravened a Bridlington principle by organizing at Whetstone where the technical and supervisory section (Tass) of the engineers union already had some members.

Its finding was not only that EMA should stop recruiting and advise its Whetstone members to join Tass, but also that it should not proceed with any claim for recognition for the staff concerned.

The EMA refused to accept this and applied to the courts for an injunction to stop the EMA from taking disciplinary action against its members. The TUC general council was already disturbed by the temporary suspension from membership of the Transport and General Workers Union because some of its drymen members had not implemented a dispute committee finding that beer should be delivered to the Fox and Goose hotel in the Midlands.

The handling of inter-union disputes will be among the first questions to be taken up by Mr Kenneth Graham, one of the two newly appointed assistant general secretaries. It was widely supposed that the creation of the new offices was intended to widen the field from which a successor to Mr Len Murray as general secretary might eventually be chosen. It represents a more basic development in the TUC structure.

Mr Murray has clearly felt the implications of the TUC's new responsibilities which the TUC has undertaken in the past few years are more than he has time to handle. So, relieved of detailed departmental work, Mr David Lea will be free to give his mind to such matters as the social contract and the nation's economic strategy—and Mr Graham to the new issues which have arisen in inter-union relations, partly as a result of the Government's labour legislation.

He has been asked to consider how the Bridlington principles can be made to stick in spite of the law, now that inter-union differences are much less frequently concerned than in the past with demarcation and much more with recruitment and recognition, particularly of white collar workers.

He will lay a lot of emphasis on settlements by conciliation rather than references to disputes committees and may on occasion take the initiative in bringing unions together where they have a history of disagreement.

The banks and commerce, and white collar organizations in the engineering industry, are obviously fields which require his attention. His new status will not doubt help him in his meetings with union leaders.

The CBI wants changes in sections 11 to 16 of the Employment Protection Act, which deal with recognition, and the TUC may well decide that changes are needed either in the Act or in the Bridlington principles, or both. But neither is at present talking about abolishing those sections. It is the officials of Acas who wonder how long they can go on working in the middle of a legal minefield.

They are charged under the Act to promote the improvement of industrial relations, and to encourage the extension of collective bargaining, but their objectives are mutually exclusive. When they refused to recommend the recognition of UKAPE, although the staff, concerned with it, it was neither as at present support has seemed to employers to have been insufficient.

If eventually it is decided that sections 11 to 16 in their present form are doing more harm than good, the TUC will certainly demand it. It is never intended that they be used to deal with inter-union disputes and that was why employers are not empowered to make use of them—something which the TUC wants a legal means for unions to secure recognition where it is denied them.

Mr Kenneth Graham, one of the TUC's newly appointed assistant general secretaries, who will be looking into the TUC's procedure for settling inter-union recognition disputes.

... a tangle of law suits and so much fruitless argument that there is talk about the desirability of repealing those sections of the Act altogether

The shadow of Sindona over Banco di Roma

Professor Ferdinando Venturi, then deputy chairman, Banco di Roma advanced the Sindona case, \$100m against control of his two Milan banks, Banca Privata Finanziaria and Banca Unione (merged in those last weeks before liquidation into Banca Privata Italiana) and ownership of his almost 40 per cent controlling shareholding in the international property company Società Generale Immobiliare.

For the magistrate, the list has been a will of the wish. Everyone knows about it, but no one has had it on his desk. The obvious difficulties in the search have encouraged speculation that it may contain political dynamite. An extreme left-wing newspaper published names claimed to be on it, including several politicians, a businessman, a magistrate and a medical specialist.

The only hard evidence came from an admission in a press interview by Signor Mauro Leone, son of President Giovanni Leone, that a presidential family had had four personal bank accounts with the Rome branch of Banca Privata Finanziaria.

The Quirinal Palace has, however, denied any involvement of the President in improper activities.

Whether the list is ever run to earth, the affair has proved damaging for Banco di Roma, which faces the task of restoring its image. It has been embarrassing for the government to have their passports withdrawn and be unable to travel abroad on the bank's business.

Signor Barone also had the unwelcome experience of spending 24 hours in jail for alleged reticence before the magistrate.

The bank's immediate reaction was to extend the powers of the chairman, Signor Leopoldo Medugno, to strengthen the executive committee and—only two days before it had issued a denial of any irregularities—to set up an internal inquiry.

Will these steps be enough? Even if they stop the immediate rot, the trouble is that the malaise is not limited to one bank—but is widespread throughout public sector economic and financial structures.

An encouraging sign, at least, is that efforts are being made to end the practice of treating top banking posts as something for backstage party political bargaining and that parliament will in future first have to be consulted about them.

Nor has the Banco di Roma affair improved the image of

Eric Wigham

## Blurred vision on union recognition



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### Offer for the Ordinary Shares of THE BRITISH INVESTMENT TRUST LIMITED

The Offer will close at 3 p.m. on Monday, 12th December, 1977 and cannot be extended. Ordinary Shareholders who wish to accept the Offer should therefore note that the final time for acceptance is 3 p.m. on Monday, 12th December, 1977 and are accordingly strongly urged to accept without delay.

In the event of the Offer becoming unconditional accepting Ordinary Shareholders will be entitled to receive for each of their Ordinary Shares of The British Investment Trust Limited:

a guaranteed minimum cash price of 165p or, if the formula value is higher on 12th December, 1977 and the Offer is declared unconditional, a higher cash amount.

165p is the highest price paid by Black Diamonds Pensions Limited for Ordinary Shares of The British Investment Trust Limited.

The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977 was 145p xd.

Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Ordinary Shareholders of The British Investment Trust Limited are urged to accept without delay.

The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.

## Business Diary: Novel villainy • Scrooge in Brussels?

...Dames. Business Diary's or, went to yesterday's third Literary Awards in

...the hero Deryl Butler's much-acclaimed novel, *My Time*, should be an

...Miss Bainbridge, who yesterday the £1,500 Whitbread

...far fiction, may not know some time whether she can

...the money—as can a pooler—or whether Sir William

...chairman of the Board of Revenue, will take much

...William—and I should thought a former under

...of caution and Science would known better—is having

...success in stopping

...hundreds of millions of

...taxpayers through artificial

...taxpayers through artificial

...revenue men are, however,

...ing to recoup a little self,

...ing in the butt cash, by

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction.

I asked Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction.

To Miss Bainbridge, who yesterday the £1,500 Whitbread

...far fiction, may not know some time whether she can

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community budget 52 million units of account, or more than £30m. The only snag is that Britain is left out. The Community is already spending 39 million

units on a scheme which leads to a subsidy worth 8p a pound on all EEC-produced butter sold here.

Problems surrounding Britain's £115m shipbuilding contract with Poland, ranging from labour unrest to complaints about subsidizing "communist orders" and calls for a Parliamentary inquiry, are not, apparently, reaching the ears of the EU's members.

According to Andrei Kono-packi, press councillor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overtime ban at Swan Hunter was, he said, "a typically British syndrome." It had become a "syndrome" true to the British character but nobody was making a fuss about it in Poland.

Reports that Poland was demanding as a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overblown. The internal relations between British shipbuilders and the unions are not our affair."

Business Diary also spoke to W. Kono-packi, of Polish radio and television in London, who confirmed that he had reported the communiqué issued after the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in

award in London yesterday. Talks are apparently still going on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough in the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed exchange controls.

Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom—more than half of it the result of investment abroad.

He added: "We have never in Unilever turned down an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times on which brokers and jobbers have fallen in recent months is the "savings" depletion of the ranks of the Stock Exchange male voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come hither. Or is this an argument for bringing in more women?

Unilever's Sir David Orr yesterday: who needs exchange controls?

Britain and that both sides would reap some benefits.

But he had not reported any of the subsequent events, cause nobody in Poland would be interested.

There is obviously no chance of the Hambro Businessman of the Year award ever going embarrassingly to a high-flying executive whose wings might melt while the handsome silver trophy still stands fresh on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is one of the three-member Special Committee which runs the Anglo-Dutch multinational.

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Sir David had flown in from the United States, to collect the

award in London yesterday. Talks are apparently still going on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough in the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed exchange controls.

Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom—more than half of it the result of investment abroad.

He added: "We have never in Unilever turned down an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times on which brokers and jobbers have fallen in recent months is the "savings" depletion of the ranks of the Stock Exchange male voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come hither. Or is this an argument for bringing in more women?







# THE TIMES

## BUSINESS NEWS

For Saving  
Investing and  
House-Purchase

HALIFAX  
BUILDING SOCIETY

For Saving  
Investing and  
House-Purchase

HALIFAX  
BUILDING SOCIETY

## £20.5m offer by NEB beats Trafalgar House move to buy Fairey companies

By Bryan Appleyard

In a move described as "outrageous" by Mr. Victor Arrows, deputy chairman of Trafalgar House, the National Enterprise Board has successfully topped this company's offer for the non-aviation business of the Fairey Group. The £20.5m NEB offer for 11 of the 14 companies in the group is accepted by its Receiver, Mr. Charles Hardie, last night. Trafalgar had offered £18m for the 10 profitable companies or £16m for the whole group.

Mr. Matthews responded by saying that Trafalgar had been "silly" to think it is outrageous. We are a strong commercial group and it is not the NEB's job to intervene in this kind of situation.

He added that he believed the offer price had been at the end of the range and decided the company's belief in the value of the group was in line with Trafalgar.

The NEB offer, which represents a premium over net asset value, is for all of the group's 14 companies operating in various industries including engineering, electronics, and food processing.

Mr. Matthews said the companies being purchased made a greater cohesion between European currencies. For Britain, Mr. Callaghan said, he welcomed the Commission's attempt to think the whole concept of economic and monetary union, and promised that his Government would participate constructively. But he has yet to be convinced that the approach had any advantages.

In separate discussions on a related Commission proposal for raising a £500m loan on the international capital market to finance new job creating investment, Mr. Schmidt indicated that Germany's attitude would depend in part on the settlement of the dispute over the size of next year's regional fund.

The Commission has proposed allocating £488m next year to the fund, which is designed to bring about the transfer of wealth from the richer to the poorer regions of the community. The Germans have said that they think this is too generous, while the French are pressing for a bigger share.

Higher pay burden on industrial costs

Continued from page 1

There have been no easy answers to the problems of recession, inflation and high unemployment, and the creation of "printing press money" was no solution either for the United States or for Europe. Mr. Schmidt said. The EEC had in effect been financing the large American trade deficit by buying dollars.

Accepting that a single European currency and a central monetary authority could only be a long-term goal, Mr. Schmidt said the less urgent the preparation for this objective could play a positive role in moving to solve current economic problems.

The Commission's scheme envisaged at first a five-year period during which EEC member states would increase the coordination of the management of national economic policies and seek to promote

However, many independent forecasters, who take a gloomy view of the Government's ability to achieve its target of a 10 per cent growth in earnings during the 1977-78 pay round, do not expect the decline in inflation to be maintained throughout next year. If earnings rise significantly above the 10 per cent target then price inflation will once again begin to accelerate next summer.

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pro-tax profits of £4.8m last year and should make about the same in the current year.

The directors of Fairey have three months to submit a statement of affairs but the provisional statement shows liabilities of £20m plus interest. Preferential creditors, secured claims and bank loans guaranteed by the companies being sold come to £21m and unsecured claims to £7m. There will also be a substantial unsecured capital gains tax liability.

Investment in the Belgian subsidiary and Britten-Norman together with advances totals £10m and loans to the Belgian company guaranteed by the Fairey company come to £41m plus interest.

Mr. Charles said the final outcome for unsecured creditors and suppliers for shareholders would substantially depend on the dividend from the liquidation of the Belgian company.

Negotiations are continuing for the sale of Fairey Stainless and Fairey Electronics. Short Brothers, the state-owned aircraft company, has made approaches for the aircraft business. Britten-Norman is said to be now doing well, though the outcome of its receivership will not be known for some months.

Financial Editor, page 19

Two steel closures at reprieved Tees works

By Our Industrial Correspondent

First Steel has taken the first steps towards the phased shutdown of steelmaking at its South Works at Hartlepool on Teesside. The works, one of those closed last year, will be reprieved after the Beswick review of the corporation's plant closure programme, employs about 3,000.

Steelmaking at the works which has been operating at low levels for over two years will be suspended indefinitely from this weekend and primary rolling activities will end on December 23.

About 1,500 workers will be affected by the shutdown. It is expected that they will be redeployed to other parts of the corporation's plant or to other steelworks.

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the problem and might encourage surplus production by providing a ready buyer (Reuters reports).

He said Zambia was seeking an agreed cut in production and sales of about 15 per cent.

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## Mr Rippon takes place of Sir James

By Ronald Pullen, Banking Correspondent

Mr Geoffrey Rippon, MP for Haslem, is replacing Sir James Goldsmith as chairman of Britannia Arrow Holdings, the renamed Slater-Walker Securities, as part of the restructuring of the board fore-shadowed at last month's annual general meeting.

Also retiring from the board are the merchant banking representatives—Mr Charles Hambro and Mr Peter Hill-Wood, of Hambro & Leach, and Mr Ivor Kennell, of N. M. Rothschild—who were drafted in under the auspices of the Bank of England just over two years ago to provide heavyweight support to Sir James.

Sir James was brought in in October, 1975, to steer the banking and property group out of its financial difficulties following the resignation of Mr Jim Slater, who left because of "the growing publicity concerning the dispute with Hay Par."

With the departure, too, of Mr Robin Wharmston and Mr Colin Maclean, whose departure was also announced yesterday because they no longer have a role to play in the slimmed-down group, the only member of the old Slater group to remain is Mr Brian Banks, whose stewardship of the investment management side of Slater-Walker was the only area to get a fairly clean bill of health in the joint accounts' report on the group. He is stepping up as group managing director.

Joining Mr Banks on the board are Mr Michael Newman, as finance director, and

two non-executive directors, Mr Louis Sherwood, whose City directorships include Anglo-Continental, now subsumed in Sir James Goldsmith's Générale Occidentale, and Mr Kevin Ney, of accountants Tansley, Wain.

Mr Rippon, whose previous stints in business have included the chairmanship of Holland, Hannen & Cubitts and directorships of Fairey and Bristol Aeroplanes, is also on the board of Dun & Bradstreet.

Shop stewards at the Upper Clyde yard of Govan Shipbuilders yesterday rejected an appeal to "black" any of the shipyard's workers to join the Tyneside yard of Swan Hunter under the £115m Polish agreement.

The stewards, who met after the reassignment of one of the 16,500 ton deadweight bulk carriers to Govan from Swan Hunter because of an overtime ban by outlying workers at the latter, called on the outlying workers to abandon their industrial action and pursue their claim through normal negotiating procedures.

But a statement issued by Mr James Alrie, the Govan convenor, avoided committing the Govan workers to construction of the ship.

Mr Alrie noted that the steel of the ship would not be laid for some months and the Govan stewards were hopeful that a settlement of the Tyne dispute would be achieved.

Our statement is quite clear," he said. "We have had a request by telegram from the Swan Hunter outlying workers to black the Polish ship. We will not black the Polish ship. It is our view that all the 24 vessels must, and will be built in British yards. Any barriers or problems that jeopardise all or part of the ship must be removed."

The Govan stewards, he continued, would be willing to enter discussions on the reallocation of the one ship order already switched from the Tyne to the Clyde.

Mr Arthur Scott, Tyneside secretary of the Confederation of Shipbuilding Unions, said he did not expect the "state-of-the-art" decision of the Govan

the problem and might encourage surplus production by providing a ready buyer (Reuters reports).

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## £60m plan to build skills for Britain of the 1980s

By David Blake, Economics Correspondent

The plan, to come into full effect not later than autumn, 1979, aims to encourage a stop-go attitude to training and prevent persistent skill shortages. Companies will receive aid in cases where it is "essential to secure adequate training."

The programme is set out in a Manpower Services Commission (MSC) report, *Training for Skills*, which has received government blessing. The report is the result of inquiries by a task group including representatives of the Confederation of British Industry, the TUC, education service and industrial training boards.

Mr Booth, Secretary of State for Employment, said the programme was designed to meet the needs of the expected economic expansion in the 1980s. Companies would have to measure up to certain criteria before receiving support, he emphasized.

The report proposes:

1. Each sector of industry and commerce should assess its future manpower needs realistically, and take action to prevent serious skill imbalances developing.

2. The Manpower Services Commission should coordinate action where imbalances in particular skill would affect several industries.

3. Industrial training boards and other competent organizations should identify cases where they need additional help.

4. The MSC should provide such help once satisfied that it is really required.

A joint statement by the Department of Employment and the MSC said a high priority would be given to setting in hand immediately an industry-by-industry review of skills provision. Industry would be given extra help where essential to secure adequate training.

Special attention would be given to supporting the Government's industrial strategy.

The inquiry was headed by Mr Richard O'Brien, chairman of the MSC, who said the commission would discuss the report with education authorities. Industry now spent £375m a year on first-year craft and technician training.

Training boards and other organizations in industry and commerce will be invited to submit proposals for action as the MSC by autumn next year.

The report says the main obligation "to make the labour market work more effectively rests with employers and unions, who had it in their power to reach agreement on industrial practices whether at plant, company or industry level." The MSC should intervene only where it was clear that that was the only way of securing important aims.

Christopher Thomas

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## Triumph output worth £33m lost in manning and work levels dispute

By R. W. Stakespeare

A strike by Triumph car workers at British Leyland's Merseyside plant entered its fifth week yesterday after week-end talks between senior management, national union officials, and shop stewards had failed to break the deadlock in a dispute over manning arrangements and production levels.

Labour troubles at the Speke, Liverpool, plant and consequent effects on output at the Triumph plant at Canby, Coventry, have cost Leyland lost production in cars worth about £33m over the past 10 weeks, and for the past three weeks all output of both the TR7 and Dolomite models has been at a standstill.

At the Merseyside plant 2,000 workers are on strike and another 1,500 laid off, while at

Canby, which relies on supplies of car bodies from Liverpool, another 2,000 men are laid off from the Dolomite assembly lines.

The TR7, normally one of Leyland's top selling export models, has been the main victim of the latest shopfloor unrest. Output of about 10,000 cars with a showroom value of around £3,000 each has been lost over the past 10 weeks.

The trouble centres on management plans based on studies by industrial engineers to introduce new manning scales and work levels. Shop stewards claim that the company has broken a local agreement by taking a unilateral decision to implement these new arrangements.

However, the company maintains that the decision to go ahead with the plans was taken

only after national negotiating procedures had been followed when it became clear that no progress towards agreement could be made at plant level.

Four weeks ago the 2,000 workers on the TR7 assembly operations walked out, and this led to the progressive lay-off of 1,500 other workers in the body pressing departments.

Last night a Leyland spokesman said: "The Dolomite assembly has had to be stopped for the past three weeks because, although we could make the bodies at Liverpool, we would not be able to get them out of the factory because transport drivers and maintenance men are on strike."

"The latest talks between union officials, management and shop stewards have left us in precisely the same deadlock situation."

## Further fall in amount of new hire purchase finance during October

By David Blake

The amount of new credit extended by finance houses and retailers fell in October for the second successive month and at £386m was down £16m from the September figure. There was also a drop in the level of retailers' credit sales, with all kinds of stores seeing a slow-down in business.

To some extent, the latest drop reflects a natural fall back from the sharp increase recorded in August, when the amount of new credit extended rose to £417m, an increase of more than £30m.

Although the figures are supposed to be seasonally adjusted, most of the increase was accounted for by the sharp rise in finance house lending to cover purchases of cars, sales of which are traditionally high in August.

The more recent figures give a true indication of the level of demand within the economy, where retail sales picked up slightly in the summer but have since given a mediocre performance.

In the three months to the end of October, finance houses extended £557m of credit (up 12 per cent on the previous three months) while retailers extended £648m (up 13 per cent).

Durable goods stores have had slack demand, with an increase

### RETAIL SALES

The following are the seasonally adjusted figures for the volume of retail sales and value of new instalment credit released by the Department of Industry.

	Sales by volume 1970=100	Percentage change latest 3 months at annual rate	New credit value £m
1976			
Oct	108.1	+ 3.8	310
Nov	109.2	+ 1.5	332
Dec	108.3	- 1.5	331
1977			
Jan	106.7	- 2.1	324
Feb	105.7	- 6.6	342
March	103.1	- 11.8	351
April	103.4	- 14.0	349
May	104.4	- 12.7	358
June	103.8	- 4.1	350
July	107.0	+ 4.3	363
Aug	107.2	+ 10.9	417
Sept	106.2	+ 11.6	402
Oct	105.4	+ 5.0	398

of only 5 per cent in their credit sales in the three months to October, while for department stores the figure is 17 per cent and for other retailers 15 per cent.

Retail sales figures for October have been revised seven times slightly from their first provisional assessment, with the index standing at 105.4 instead of the 106 originally assessed.

## Pay claims wait for settlement by key sectors

Settlements totalling 548, covering almost 1.5m employees and representing 6 per cent of the working population, had been received by the Confederation of British Industry's data bank at the close of the 18th week since the end of Phase Two.

Of these 84 per cent had been reached at, or around, 10 per cent. About three out of five had been at 10 per cent and another 22 per cent had been below that figure. Most of the rest had been made at less than 15 per cent.

It said that claims, which continued to be very high, covered almost 23 per cent of the working population.

The influence of Stage Two was continuing to decline. Evidence suggested that many bargaining groups were holding back until certain key sectors had negotiated, said the CBI last night.

"As far as it is possible to tell only about 40 per cent of those who should have settled by this time in the bargaining year, have done so," it said.

## EEC threat to world multibre arrangement

Geneva, Dec 5.—The European Community still insists it will withdraw from the International Multibre Arrangement (IMA) regulating world textile trade unless it is changed to allow certain import restrictions.

Mr Tran Van Thinh, EEC negotiator, said here today.

Mr Tran spoke after textile inspectors and exporting states had resumed meetings trying to decide on whether and how to extend the treaty, which runs out at the end of this year.

He said he was asked if the EEC's original position with respect to the treaty had changed after its negotiations with the principal textile exporting countries.

I told them that there has been no change in our position and that our final position will be determined by the Community's ministerial meeting on December 19 and 20, when the nine foreign ministers gather in Brussels," he added.

The major issue before the 50-nation conference is whether export restraint arrangements worked out over the past seven years should be incorporated into the international agreement.

The Community has insisted on export restraint pacts on the grounds that the textile industries of its member nations were being seriously damaged by an increasing flood of imports, mainly from Hong Kong, South Korea and other Asian developing nations.

An average annual increase of 6 per cent of developing countries' exports to the advanced consumer nations was provided for in the 1973 treaty. The Community says it has borne the major share of this since the United States had already concluded restraint treaties with its own principal suppliers before 1973.

Developing countries would favour a simple extension without any change of the IMA as it has helped them to develop their first large-scale export capability for manufactured goods competitive with those produced in the industrialized world.

Global trade in textiles last year was valued at about \$50,000m (about £27,778m) and of this exports accounted for a report liability for defective products produced by the English and Scottish Law Commissions.

The most worrying proposal in this report is, that manufacturers of products which fail in service shall be held liable for resultant death or injury even though they may not be negligent in any way—in other

## LETTERS TO THE EDITOR

## 'Unsatisfactory' requirements over directors' standards

From Mr W. Goodhart

Sir, Many aspects of the White Paper, "The Conduct of Company Directors," deserve warm support. For example, the prohibition of insider dealing—proposed in 1972 by "Justice" in a report prepared by its Company Law Committee (of which I am chairman)—is most welcome, and it is to be hoped that these proposals will at least reach the statute book. The White Paper, however, contains one proposal which is at first sight innocuous but is in fact profoundly unsatisfactory.

I refer to paragraph 4 of the White Paper, which deals with the standard of skill and care required of a director. It is commonly assumed that this standard was authoritatively stated by Mr Justice Romer in 1924 in *re City Equitable Fire Insurance Co*, when he said that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge or experience.

These words appear to mean that a director is not necessarily required to exercise the skill and care which is needed for the performance of his job. If so, the standard required of a director is much lower than that required for other jobs. A surgeon who botches his first operation or a newly-qualified HGV driver who crashes his lorry cannot plead his own inexperience as a defence to an action for damages, but a director in a comparable situation could do so.

At a time when business management is increasingly regarded as an important profession, this can only be regarded as unsatisfactory. To quote from a memorandum recently submitted to the Department of Trade by the Company Law Committee of "Justice" it is clearly desirable that all directors, whether executive or non-executive, should be expressly made liable for negligence if they fail to exercise the degree of skill and care which is reasonably required for the proper performance of the tasks which they are called upon to carry out."

But, according to paragraph 4 of the White Paper, the Government does not propose

to raise to an adequate level the standard of skill and care required of a director. It does not even intend to leave Mr Justice Romer's formulation alone, in which case it would at least be subject to review by the courts. It actually proposes to codify that formulation by writing it into a statute. This is so surprising that one seeks for some explanation. Is it being unreasonably suspicious to assume that what is behind this proposal is the Government's view of the capabilities of employee-directors?

If so, one must conclude that a Government which is committed to the eventual introduction of employee-directors is not satisfied that there will be enough people available who have the knowledge and experience required to do the job.

"Justice" is a non-party organization which has not expressed and does not intend to express any views on the merits of the Bullock Committee proposals or any other proposals for the introduction of employee-directors, and I must make it clear that I am not writing on behalf of "Justice". It would be regrettable, however, if the Government were to allow fears of possible implications for the appointment of employee-directors to induce it to enshrine in a statutory code the present unsatisfactory law on directors' duties of care and skill.

Yours faithfully, WILLIAM GOODHART, 3 New Square, Lincoln's Inn, London WC2.

November 30.

From Mr R. Wood

Sir, The present discussion regarding company reform in general and insider dealing in particular is in danger of getting out of hand. The following factors need to be established:

First, the assumption that so-called insider dealing results in the emassing of vast profits is naive and unrealistic. In practice, for every profit that is made in this way there is a corresponding loss on information that proves to be incorrect, while in many cases favourable announcements are often anticipated and, sometimes, are more

than fully anticipated so that on the awaited announcement share prices actually fall.

Secondly, in so far as the element of social and economic advantage is concerned, any such advantages in this respect consist of isolated individual cases in which, as explained above, as often as not, losses and not gains eventuate. This compares with the consistent abuse of monopoly power organized on a massive scale by state unions of which the latest example is the overtime ban by the Tyneside shipworkers.

Both the Wilson Labour Government and the Heath Tory government, in response to well-defined public opinion, endeavoured to make the anti-social activities of the state unions subject to the law, but both governments failed to achieve their object which is a reflection not of the validity of the trade union case but of the extent of the abuse of power exercised by this institution.

Thirdly, it is therefore entirely unacceptable that the main pressure for making insider dealing a criminal offence should come from left-wing trade union sources who represent the very institution in need of reform and legal restraint.

On the other hand, it would be paradoxical if the activities of people such as investment analysts, who are the watchdogs for both institutional and private investors, should be threatened by an ill-conceived law in their endeavours to assess the merits of particular companies.

It must be emphasized that such people are highly trained and experienced in the use of information, but in order to apply their experienced judgment and expertise to investment decisions regarding trading activities which can in no way be described as privileged. It would be a retrograde step if people such as this were in the future to have their legitimate activities subject to such constraints.

Yours truly, RUSSELL WOOD, Kenner House, Kenner Wharf Lane, Upper Thames Street, London, EC4V 3AJ.

November 29.

## Dangers faced by manufacturers in product liability proposals

From the President of the British Rubber Manufacturers' Association

Sir, Some of your readers will know of the obvious product liability laws operating in the United States, and will have seen the massive damages that courts sometimes award in respect of them. No company can afford the risk of seeking there any more without taking adequate product liability insurance cover: the premiums for the United States are almost 10 times as high as those for the United Kingdom.

The problem is exacerbated through the ease with which actions may be brought, largely as a result of the acceptance of "contingency fees" for lawyers, and of "class actions" suits for thousands of which are yet permitted in Britain. (A Royal Commission is currently considering the contingency fee system, however, so it may be adopted here in personal injury actions.)

I should like to draw attention to the dangers that we now face following a reference under Section 3(1) of the Law Commissions Act, 1965, and the subsequent publication of a report liability for defective products produced by the English and Scottish Law Commissions.

The most worrying proposal in this report is, that manufacturers of products which fail in service shall be held liable for resultant death or injury even though they may not be negligent in any way—in other

words, a no fault liability law is proposed. The commissions' reason for this incredible proposal, *inter alia*, is that they believe the risk of defective products should be borne by those who can best insure against it.

The commissions go on to say, however, that they have been unable to make a proper assessment of whether the extra insurance cover would ever be available! They also propose that the new laws should not put such heavy liabilities on our producers as to place them at any competitive disadvantage in the international market, or to inhibit technical innovation or research, or to cause reputable manufacturers to cease production altogether. But a no-fault liability law will do just this, especially if the Scottish Law Commission's recommendation, that liability shall apply indefinitely, is also adopted.

If the no-fault principle is to be applied in Britain, surely it is preferable to set up a guarantee fund as proposed in Article 11 of the Strasbourg Convention, rather than penalise individual manufacturers with even greater insurance burdens. It appears to me that there is little wrong with the present system where aggrieved parties can sue manufacturers in contract or at common law, or both, where death or injury results from a product defect. Manufacturers are in danger of having horrendous liability imposed upon them, in cases where they have

no true responsibility and over which they will have no control whatever.

The changes proposed should be resisted actively, and I urge all manufacturers and insurers to make their views known to the Minister for Prices and Consumer Protection well before the Council of Ministers of the EEC decides the matter in 1978.

The Minister for Prices and Consumer Protection, Mr John Fraser, is reported in *Trade and Industry*, November 4, as saying: "If the government accepted the Law Commission's recommendation on product liability it would be one of the greatest civil rights victories for consumers ever won. To recover damages all an injured person will have to do is to show that the injury was due to a defect in a product, and that the defendant produced it or imported it."

I believe that industry and insurers in all EEC countries should make strong representations to their governments to ensure that jointly they obtain a practical directive that all can follow at one and the same time placing no country at a competitive disadvantage in relation to the others.

Yours faithfully, PETER FATHALL, Chairman and Chief Executive, Allied Polymer Group Limited, Beacon House, Pyrford Road, West Byfleet, Surrey

November 28.

## BP to spend £32m on energy conservation

By Edward Townsend

British Petroleum is planning to spend £32m over the next four years on energy conservation at the group's oil refineries which, it was predicted last night, could result in annual savings to the company of nearly £33m.

Sir David Steel, chairman of BP, speaking in London to members of the Insurance Institute, said that in addition, BP chemicals was planning to spend £25m on 40 projects aimed at producing further substantial savings.

BP had saved about 7 per cent of its energy expenditure on manufacturing last year compared with 1973, and had set itself a target of a 15 per cent saving by 1980.

Sir David, who described energy conservation as "insurance for the future", said that conservation must mean more than "Save It" campaigns or merely good housekeeping.

"The Department of Energy's renewed campaign to promote energy saving in the United Kingdom marks a growing national awareness that conser-



Sir David Steel: "Insurance for the future."

vation and more efficient use of energy resources is an urgent priority.

Sir David said he did not believe the United Kingdom's resources of oil, coal and gas would keep the country self-sufficient much beyond 1990, unless we used energy more efficiently and brought in new sources, including nuclear power and what we could economically harness from the sun, wind and waves.

He said he had sent briefings on what technology and equipment his country would need from Britain in the future; the priorities being basic industry, energy, electrical power and metallurgy.

Discussions on detailed buying would come later, he added.

## China may order more from UK

By Our Commercial Editor

New orders from China for British industry were forecast yesterday by Mr Li Chang, Chinese Minister of Foreign Trade, as he and his trade delegation wound up a week of talks in the United Kingdom and left for a French tour.

Mr Li particularly mentioned the Harrier jump-jet military aircraft: "It is a good aircraft," in which the Chinese have previously expressed buying interest.

The Chinese are also still interested in Concorde, on which at one time they had buying options for three.

"We will observe Concorde for a few more years and decide on the result of its performance on the scheduled routes," Mr Li said.

He said he had sent briefings on what technology and equipment his country would need from Britain in the future; the priorities being basic industry, energy, electrical power and metallurgy.

Discussions on detailed buying would come later, he added.

## American tax cuts of \$115,000m forecast

Washington, Dec 5.—The United States will have to hand out tax cuts of up to \$115,000m (about £62,152m) a year to sustain the economic recovery and lower unemployment over the next five years, the Congressional Budget Office said today.

The report gave indirect, but strong support, to President Carter's expected call for substantial tax cuts next year.

The independent Congressional agency said in a five-year projection that tax cuts or large Federal spending programmes would be needed to offset expected drags on the economy.

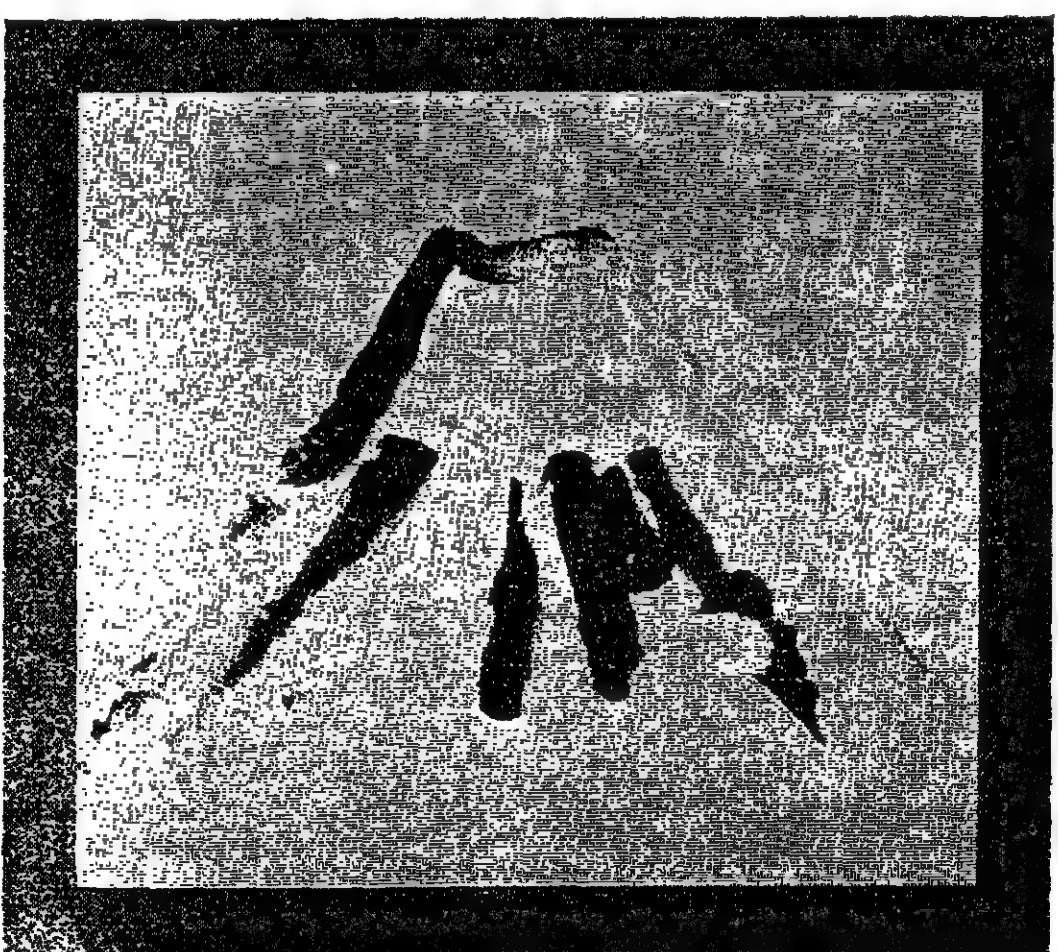
It said that budget income will rise faster than outlays, taking money out of the economy and thus impeding

achievement of national economic goals, which include a growth of the real gross national product at about a 4.8 per cent rate, and a gradual reduction of unemployment from 6.9 per cent now to 4.5 per cent.

By the 1983 financial year, the agency said, a tax cut of \$115,000m a year would be needed to offset what it called the expected "fiscal drag".

The influence of Stage Two was continuing to decline. Evidence suggested that many bargaining groups were holding back until certain key sectors had negotiated, said the CBI last night.

"As far as it is possible to tell only about 40 per cent of those who should have settled by this time in the bargaining year, have done so," it said.



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BY THE FINANCIAL EDITOR

## What is the NEB's philosophy?

Its castigators have already shown horror at the National Enterprise Board's successful outbidding of Trafalgar House to get control of Fairley's British assets. It is the NEB's first full-blown bid against a rival bidder from the private sector, and the vision of the NEB mobilising its millions of taxpayers' money to take over a business already presented with an alternative solution is one calculated to stimulate outrage in the private sector.

In fact this deal is not such a novelty. The NEB has already been involved in a bid battle with Guinness and White & Carter, although admittedly it did not make a full counter offer; it has always been its philosophy to invest in profitable concerns as well as the same ducks dropped in its lap by the Government. The exit price earnings ratio of just under 9 is by no means profligate, and the margin by which it has

being highly dependent on South Africa and up against increasingly stiff competition from much larger companies in Europe, can—on these figures—both survive and grow. This poses a problem for Johnson & Firth Brown whose 20 per cent holding must be burning a hole in its pocket having seen one bid, which would have given a handsome profit, pass out of the window. But Osborn shareholders may still need to be convinced that this level of profits is sustainable—the improvement, coming in such a short time, is quite remarkable. At 75p up 2p, the shares yield only 5.2 per cent, which even on this performance, still provides scope for speculative possibilities.

● The Bank of England may have it within its power, for a short period at least, to influence domestic interest rates, but the Eurosterling market, a highly sensitive indicator of what foreigners holding sterling think of developments in the United Kingdom, is another matter. During the past few weeks the market has been showing in no uncertain fashion how dubious it is about the Bank's interest rate tactics, and yesterday's decision was obliged to raise the coupon on its sterling Eurobond issue from 10 to 10½ per cent and it looked very much as though Courtaulds might have to do something similar with its 9½ per cent issue.

It is an inauspicious start for a market that has been full of promise during the past few weeks for both issuers and investors. Sell-offs were developing last Wednesday and by Friday the market was in full retreat. The Finance for Industry issue, priced on Friday, was particularly hard hit, reaching 96½ last night compared to an issue of 99½ where it yields 10½ per cent.

The first point to make is that investors evidently believe that, in spite of the Bank's restraining action, interest rates here are headed upwards. The second, and potentially more important point is that the volatility of the setback and the evident willingness of investors to get out at the first sign of trouble, raises real questions about the underlying strength of investment demand for sterling Eurobond issues.

### Harrisons & Crosfield

#### A challenge in plantations

Having already beaten off one attack this year on part of its empire—then it was Golden Hope which was under attack—Harrisons & Crosfield is now facing another threat. This time it is by way of a bid for Malayan Plantations from McLeod Russell.

McLeod, which already owns or has options on 29.99 per cent of Malayan, is bidding 23p a share, valuing the entire company at £6.25m. With H & C and associates controlling 23.44 per cent and Malayan (whose chairman, Mr Frederick Harper, is on the H & C board) rejecting the bid, the City seemed an eventuality increased offer, and the shares rose 2p to 24½p.

Malayan's situation is complicated as it prepares for Indianisation since it is a hybrid company spanning both tea and rubber plantations.

In the absence of a defence document, Malayan shareholders are going to have a difficult task of trying to assess the bid since the remittance of dividends from India is irregular in both size and timing, while the valuation of assets is not easy.

Malayan is important to H & C since it controls some 2.8 per cent of Harrisons' Malaysian assets. Two other companies held on similar minority holdings—London and Sumatra and Harcos—bring the holding up to around 10 per cent. If all three companies were taken out of the H & C camp it would make an awkward dent in H & C's control of HME which has still yet to reach full agreement with the Malaysian authorities on changing domicile.

During four months of abortive talks that followed McLeod's acquisition of the Malayan stake, the possibility of selling the HME stake back to H & C was raised, although McLeod appears to have been holding out for a higher value than the then stock market value. However, that did not get very far since H & C was unwilling to sell Malayan out of its grasp in the first place.

The bid does appear to have exposed a damaging gap in the minority cross holdings in the H & C empire.

Sections of the Employment Protection Act on which the TUC probably placed greatest store, those dealing with trade union claims for recognition, have resulted in such a tangle of law suits and so much fruitless argument between the Confederation of British Industry and union leaders that there is talk about the desirability of repealing them altogether, particularly among those responsible for implementing their provisions.

The TUC is concerned because in some respects the clauses threaten to override its own procedure for settling disputes between unions, the so-called Bridlington procedure. The CBI complains that the way the Act is being interpreted by the Advisory, Conciliation and Arbitration Service (Acas) is increasing trade union fragmentation and has resulted in loss of confidence among employers in the impartiality of the service. It is pressing for agreed criteria under which claims should be decided.

Both the TUC and the CBI have nominees on the council which runs Acas and its last few meetings have been devoted largely to arguments about recognition cases. Next week the council will meet again to discuss the CBI demand for fixed criteria, though with little prospect of agreement. Meanwhile, at least one private member's Bill to amend the clauses will see the President of Parliament, a left-wing Labour member.

The seventh writ this year challenging the legality of recognition claim handling was served at the Acas office in Westminster on Friday. The Law Lords are meanwhile expected to give their verdict at last on the most publicised case, arising out of the Grunwick dispute, before Christmas. Acas should stop recruiting and advise its Whiststone members to join Tase, but also that it should not proceed with any claim for recognition for the staff concerned.

The EMA refused to accept this and applied to the courts for an injunction to stop the

TUC from taking disciplinary action against it. Section 118 of the Employment Protection Act declares void any provision in an agreement which precludes any person from making a reference to Acas.

The TUC gave an undertaking not to take disciplinary action on these grounds and the EMA is now hoping that the Acas council will decide to deal with its case at its meeting next week, which could make further legal action unnecessary.

Claims by EMA for recognition in the nationalised shipping and aeronautical industries have still to come to a head.

The TUC is disturbed by the discovery that the Bridlington principles can be overridden by the Act. The November meeting of its employment policy and organisation committee discussed a paper which supported Acas recognition procedures and drew attention to Acas successes, but expressed concern at the growing use of the law. It argued strongly against attempts by the CBI to make a recommendation upon a union securing majority support among the workers concerned.

The TUC general council was already disturbed by the temporary suspension from membership of the Transport and General Workers' Union because some of its draughtsmen had not implemented a 'disputes committee' finding that beer should be delivered to the Fox and Goose hotel in the Midlands.

The handling of inter-union disputes will be among the first questions to be taken up by Mr Kenneth Graham, one of the two newly appointed assistant secretaries. It was widely supposed that the creation of the new offices was intended to widen the field from which a successor to Mr Len Murray as general secretary might eventually be drawn, but it represents a more basic development in the TUC structure.

Mr Murray has clearly felt that the implications of the vast new responsibilities which the TUC has undertaken in the past few years are more than he has time to handle. So, relieved of detailed departmental work, Mr David Lea will be free to give his mind to such matters as the social contract and the nation's economic strategy and Mr Graham to the new issues which have arisen in inter-union relations, partly as a result of the Government's labour legislation.

He has been asked to consider how the Bridlington principles can be made to stick in spite of the law, now that inter-union differences are much less frequently concerned than in the past with recruitment and recognition, particularly of white collar workers.

He will lay a lot of emphasis



Mr Kenneth Graham, one of the TUC's newly appointed assistant secretaries, who will be looking into the TUC's procedure for settling inter-union recognition disputes.

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on settlements by conciliation rather than references to disputes committees and may, on occasion, take the initiative in bringing unions together where they have a history of disagreement.

The banks and commerce and white collar organizations in the engineering industry are obviously fields which require his attention. His new status will not doubt help him in his meetings with union leaders.

The CBI wants changes in sections 11 to 16 of the Employment Protection Act, which deal with recognition, and the TUC may well decide that changes are needed either in the Act or in the Bridlington principles, or both. But neither is at present talking about abolishing those sections. It is the officials of Acas who wonder how long they can go on working in the middle of a legal minefield.

They are charged under the Act to promote the improvement of industrial relations, and to encourage the extension of collective bargaining. But there are cases where the two objectives are mutually exclusive. When they refused to recommend the recognition of URAP, although the staff, concerned wanted it, it was because they thought it would worsen industrial relations in the engineering industry.

On the other hand they have sometimes recommended recognition for small groups of workers where the known support has seemed to employers to have been insufficient.

It eventually it is decided that sections 11 to 16 in their present form are doing more harm than good, the TUC will certainly demand that something be put in their place. It never intended them to be used to deal with inter-union disputes and that was why employers are not empowered to make use of them—another CBI grievance. But the TUC wants a legal means for unions to secure recognition where it is denied them.

a tangle of law suits and so much fruitless argument that there is talk about the desirability of repealing those sections of the Act altogether

## The shadow of Sindona over Banco di Roma

The troubles at Banco di Roma are not a typical banking crisis, but represent the latest chapter in the still unfinished Sindona saga, Italy's biggest politico-financial scandal since the war.

There has been no sudden loss of confidence, no run on deposits, no fears of misappropriation of customers' funds. In fact, the investigating magistrate is looking into allegations that the management did not well by clearing or improving the bank's balance sheet, but at least by allowing those who had allegedly exported funds to be reimbursed on the eve of the Sindona collapse.

What led to the suspension of the two joint managing directors, Signor Mario Barone and Signor Giovanni Guidi, was their failure to produce to the Milan magistrate a list of more than 500 accounts with another bank, which had been used to clear or improve the bank's balance sheet, but at least by allowing those who had allegedly exported funds to be reimbursed on the eve of the Sindona collapse.

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Professor Ferdinando Ventriglia, then deputy chairman of Banco di Roma, advanced Signor Sindona \$100m and \$3,500m lire (about £42m) against control of his two Milan banks Banca Privata Finanziaria and Banca Unione (merged in those last weeks before liquidation into Banca Privata Italiana) and ownership of his almost 40 per cent controlling shareholding in the international property company Societa Generale Immobiliare.

For the magistrate, the list has been a will of the wish. Everyone knows about it, but no one has had it on his desk. The obvious difficulties in the search have encouraged speculation that it may contain political dynamite. An extreme left-wing newspaper published names claimed to be on it, including several politicians, businessmen, a magistrate and a medical specialist.

The only hard evidence came from an admission in a press interview by Signor Mauro Leoncini, son of President Giovanni Leone, that the presidential family had had four personal bank accounts with the Rome branch of Banca Privata Finanziaria.

The Criminal Palace has, however, denied any involvement of the President in improper activities.

Whether the list is ever run to court, the affair has proved damaging for Banco di Roma, which faces the task of restoring its image. It has been embarrassing for top executives to have their passports withdrawn and the inability to travel abroad several politicians.

Signor Barone also had the unwelcome experience of spending 24 hours in jail for

alleged residence before the magistrate.

The bank's immediate reaction was to extend the powers of the chairman, Signor Leopoldo Medugno, to strengthen the executive committee and—only two days before it had issued a denial of any irregularities—set up an internal inquiry.

Will these steps be enough? Even if the inquiry still has a residual share in Societa Generale Immobiliare, whose survival remains in doubt. The company, which by the irony of coincidence built the Watergate complex in Washington, has steadily accumulated losses and debts to a pre-occupying level. Banco di Roma first ceded most of its holding to a group of Roman building contractors, but the problem was too big for them.

Unsuccessful attempts were made to negotiate the entry of the cooperative movement and

then of Texan interests associated with Mr John Connally, the United States politician and financier.

The latest rescue reports are linked with the name of Signor Carlo Pesenti, the Bergamo banker and cement industrialist, but their outcome is uncertain.

Then there is the question of whether Italian justice will ever bring Signor Sindona to trial, along with his former right hand man (with whom he has fallen out), Signor Carlo Bordini, now lying in a Venezuelan jail. Signor Sindona lives in an hotel in New York, where he is fighting a two-year-old Italian case that he should be extradited on charges of fraudulent bankruptcy, arguing that he is the victim of political persecution.

John Earle

### Samuel Osborn

#### Why Weir went away

It is easy to see from Samuel Osborn's full year results why the group failed to reach agreement on terms for a take-over from the Weir Group. Osborn was expected to make about £2.4m profit, but the actual instead of the published outcome is £3.4m, and Weir's calculations were almost certainly based on the lower figure.

Nearly all the Osborn gain has come from the steel activities, which, by rights, and in comparison with every other steel company, should have been having to pull all the stops out, even to stand still. In the event, trading profits have risen from £273,000 to £1,53m, so that the profit in the second-half alone was more than £1m.

The explanation apparently is that the Ecclefeich plant, which the group moved into some five years ago, has at last paid off in terms of productivity, with higher volume, and lower unit costs bringing big benefits.

Thus a company which looked hard pressed to survive as an independent unit

Ross Davies, Business Diary's editor, went to yesterday's Whitbread Literary Awards in London.

It's ironic that Edward Freeman, the hero of Beryl Bainbridge's new novel, *Injury Time*, should be an accountant.

Miss Bainbridge, who yesterday won the £1,500 Whitbread award for fiction, may not know for some time whether the character she keeps the money—as can a pool winner—or whether Sir William Pile, chairman of the Board of Island Revenue, will take much of it from her.

Sir William and I should have thought a former under-secretary at the Department of Education and Science would have known better—his having little success in stopping accountants from getting away with hundreds of millions of pounds through artificial tax avoidance schemes for companies and for rich individuals. The revenue men are, however, seeking to recoup a little self-esteem, if far less cash, by putting in the boot for some seemingly productive people—to wit, authors.

As my brother diarist Anthony Holden, *Antics of the Antipodes*, recently pointed out, the *Financial Times* are making the case of a former Whitbread winner, Andrew Boyle, who won a copy of his 1974 prize for *Poor, Dear Britain*, appropriately enough the biography of the founder of the *Financial Times*, Brendan Bracken.

Miss Bainbridge received her cheque in London yesterday, as did Beryl Bainbridge for her children's book *No End to Yesterday* and Juliet Nicholson on *My Father, Nigel*, for her father, Mary Curzon.

The cheques were presented by the chairman of Whitbread, Alex Bennett, who declared that he had read none of the books, but his wife had.

I asked Miss Bainbridge why she had made her hero an accountant, a member of a profession not markedly attractive to practitioners of fiction. To her disingenuous reply, "I never write fiction, you see."

■ The EEC Commission, ever eager to prove that the common agricultural policy is a flexible and accommodating instrument, has tried to turn complaints about the butter "mountain" on their heads.

It has replied to those who demand that surpluses should be sold cheaply to consumers inside the EEC, instead of to outsiders like the Russians, by subsidising a drastic price cut. It has answered those who condemn its plan to make margarine as dear as butter by making butter as cheap as margarine.

The result is "Christmas butter", a chunk of 22,000 tonnes from the Community's over-producing surplus, which shoppers all over Europe—with one important exception—can buy until the middle of January. A regulation which says that the words "Christmas butter" must be stamped on every packet is now in operation and causing alarm throughout the butter trade.

Traders fear that the presence of butter carrying a subsidy worth 18p a pound on sale next to normal shop supplies will merely disrupt the Christmas market and encourage hoarding by families with freezers. The move will cost the Com-

munity budget \$2 million units of account, or more than £30m. The only snag is that Britain is left out. The Community is already spending \$9 million units on a scheme which leads to a subsidy worth 8p a pound on all EEC-produced butter sold here.

■ Problems surrounding Britain's £115m shipbuilding contract with Poland, raising from labour unrest to complaints about subsidising "communist orders" and calls for a Parliamentary inquiry, are now, apparently, reaching the ears of the Poles themselves.

According to Andrzej Knapacki, press counsellor at the Polish embassy in London, the order is "one of a series" and has not aroused much interest or emotion in Warsaw.

The widespread reporting of difficulties such as the overtime ban at Swan Hunter was, he said, "a typically British syndrome." It had become a suspense story true to the British character but nobody was making a fuss about it in Poland.

Reports that Poland was demanding as a condition of the contract assurances about labour relations were not true. "It is a contract with specific terms of delivery but the whole issue has been overblown. The internal relations between British shipbuilders and the unions are not our affair."

Business Diary also spoke to W. Kornacki, of Polish radio and television in London, who confirmed that he had reported the official signing of the contract in London. He told his Polish audience that the orders would help to solve some of the unemployment problems in

award in London yesterday. Talks are apparently going on into Unilever's possible takeover there of National Starch and Chemical. "We may have something more to say soon," Sir David said.

His thank-you speech at the Savoy seemed apt enough to the circumstances. He said that with the chance offered by North Sea oil, Britain no longer needed the bank's business.

Overseas investment must be made free again, because contrary to what the trade unions particularly were afraid of, investment abroad did not mean less investment at home.

He supported the familiar argument that overseas investment could create jobs at home by pointing out that this year Unilever was exporting some £400m worth of goods from the United Kingdom—more than half of it the result of investment abroad.

He added: "We have never in this country done down an investment in the United Kingdom because we wanted the money to invest somewhere else."

One by-product of the hard times on which brokers and jobbers have fallen in recent years has been a "serious" depletion of the ranks of the Stock Exchange made voice choir. An appeal was circulated to exchange members yesterday by Nicholas Goodison, Stock Exchange chairman, who is president of the choir. The choir will be able to present the annual Christmas concert at Carpenters' Hall tomorrow night, but recruits are needed now. He who would volunteer, let him come forth. Or is this an argument for bringing in more women?

Photograph: John Manning

Unilever's Sir David Orr yesterday: "Who needs exchange controls?"

Britain and that both sides would reap some benefits. But he had not reported any of the subsequent events because nobody in Poland would be interested.

■ There is obviously no chance of the Hambro Businessman of the Year award ever going embarrassingly to a high-flying newcomer whose wings might melt while the handsome silver trophy still stands freshly on the sideboard.

The eighth winner of this very establishment accolade is Sir David Orr, chairman of Unilever Ltd and deputy chairman of Unilever NV, who is one of the three-man Special Committee which runs the Anglo-Dutch unit.

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a guaranteed minimum cash price of 165p

Or, if the formula value is higher on 12th December, 1977 and the Offer is declared unconditional, a higher cash amount.

■ 165p is the highest price paid by Black Diamonds Pensions Limited for Ordinary Shares of The British Investment Trust Limited.

■ The market value of the Ordinary Shares of The British Investment Trust Limited on 23rd November, 1977\* was 145p x d.

■ Wood, Mackenzie & Co., stockbrokers, have estimated the values of the Offer at the close of the first dealing day of each of the six months preceding the announcement of the Offer. These produce an average premium over the middle-market values of the Ordinary Shares of The British Investment Trust Limited on those dates of more than 25 per cent.

The Board of Black Diamonds Pensions Limited and its financial advisers, S. G. Warburg & Co. Ltd., remain firmly of the opinion that the Offer is generous and attractive, particularly so following the inclusion of the guaranteed minimum cash price of 165p per Ordinary Share. Ordinary Shareholders of The British Investment Trust Limited are urged to accept without delay.

\*The day before the announcement of the guaranteed minimum cash price in the Press.

This statement has been issued by S. G. Warburg & Co. Ltd. on behalf of Black Diamonds Pensions Limited. The Board of Black Diamonds Pensions Limited has taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and all the Directors jointly and severally accept responsibility accordingly.



## Frustrated BP issues ultimatum over Sardinian protein plant

From John Huxley  
Cagliari, Sardinia, Dec 5

British Petroleum officials said today that the company is looking at alternative uses for a £30m plant built in Sardinia to produce topina protein.

The 100,000 tons per annum plant should have come on stream 18 months ago, but is still not being allowed to operate by the Italian authorities.

Mr Hector Watts, managing director of BP Proteins, said that the plant, to produce protein for animal feedstuffs from n-paraffins separated from crude oil, is now costing £10m a year to finance and maintain.

He confirmed that the company is giving serious consideration to pulling out of Sardinia if approval for production is not indicated within the next two or three months. The January 31 deadline set after fruitless meetings with the Italian authorities in the summer still stood, he said.

Mr Watts also said that BP lawyers are now investigating the possibility of taking legal action against the Italian authorities if BP is forced to liquidate the plant. The plant, at Sarroch, is controlled by Italproteine SPA, a 50-50 venture between BP and Anic, the petrochemical arm of ENI, the state energy company.

The prospects for alternative use or dismantling for removal to another site are limited. The company has more than its share of £40m (less about £4m if the project goes ahead) tied up at Sarroch.

"A whole new technology which could make an important contribution to the hungry world may have to be abandoned if this plant is condemned to inactivity much longer," Mr Watts said.

Already delays at Sarroch have caused the postponement of an agreement signed by BP last year to use its technology in a £20m plant in Venezuela. Studies have been made with Saudi Arabia and Kuwait and approaches have also been received from the Soviet Union and China.

Mr Chris Green, BP Proteins' commercial manager, said that the market for protein knowledge is substantial, but that countries are unlikely to buy technology as it is still a new technology.

The project began in 1972 with the backing of the Italian government, which offered grants and favourable loan terms. The production and marketing of topina has been approved in Italy on the basis of an agreement with the Italian ministries of health, agriculture and industry.

Building began at Sarroch in 1974 along the lines of a demonstration unit with a production capacity of 4,000 tonnes per annum at Grangemouth.

In February last year, however, the health authorities suspended approval for the sale of topina pending further testing.

Eight months later approval was given for the plant to operate at the reduced level of 40,000 tonnes per annum, although the ban on product sales continued.

Production was then again

suspended, pending plant modifications which, say BP, the authorities have not specified.

The doubts raised in Italy, the company says, have been considered by various international authorities, all of which have affirmed the safety of the product, which has been included in the draft directive issued by the EEC concerning suitable animal feedstuffs.

Despite the importance to BP of the Sardinian venture, the company is in earnest in its stated intention to withdraw.

The patience of the officials is exhausted, Mr Watts said. The company cannot continue indefinitely to bear the burden of tangible losses in the hope of future benefits. Neither is BP convinced that the Italian authorities are withholding approval for the reason so far stated.

The stated objections, say BP, are to the product (it has been claimed for instance that paraffins residues found in pigs fed on topina are too high) and to the process (the authorities are worried by dust emission from the plant).

On the first count, Mr Watts points out that n-paraffins are permitted in much higher concentrations in feedstuffs for human consumption. On the second, he says that the plant meets fully every known regulation, and is in any case far from dust than any concrete plants.

Mr Green added: "We have been through all the right procedures and have got all the necessary approvals. Then they started raising new objections."

## Hitachi denies loss of interest in assembly factory on Wearside

By Derek Harris  
Commercial Editor

Hitachi, the Japanese electronics group, last night strongly denied any intention to withdraw its application to the Government to establish a colour television assembly factory at Wearside, in the North-east of England.

Hitachi's plan has caused increasing controversy as fears have grown of a net loss of jobs from setting up the factory. As a result the Government has delayed a decision on the Hitachi application until talks are completed with both the domestic electronic components industry and the trade unions.

As these talks continued yesterday reports were circulating in the North-east that Mr Peter Viggers, Conservative MP for Gosport, had claimed in his constituency that Hitachi did not intend to move to Wearside.

Mr Viggers said last night that he had been given to understand by a source he believed to be reliable that Hitachi did not now expect or intend to pursue its application to establish in Wearside.

He had understood that it was reconsidering the whole matter and might make a subse-



Mr Viggers: Information given to him in good faith.

quent application to start a factory elsewhere in Britain.

He had not discussed the matter directly with Hitachi but the information had been given to him in good faith, Mr Viggers added.

A Hitachi spokesman said last night: "The company has no intention of withdrawing its application to establish a factory at Wearside new town."

The Department of Industry confirmed that there had been no lessening of interest by the Japanese company and that talks were continuing.

It seems unlikely that Hitachi has been trying to pressure the Government into a decision.

## 27,800 new dwellings completed in October

Builders completed 27,800 houses and flats in Great Britain during October, a slight drop from the previous month's total, but some 2,000 better than in October, 1976. Figures released yesterday by the Department of the Environment show that starts were also down on the previous month, but the October total of 24,600 was 3,100 up on the comparable 1976 period.

Taking three month totals to reduce the effects of month to month fluctuations, and discounting normal seasonal movements, total starts in August to October were up 2 per cent on the previous three months, May to July, but were 8 per cent lower than August to October a year ago. Completions were 5 per cent up on the previous three months, but 1 per cent lower than a year ago.

## Loss-making port gains reprieve

A Scottish port which made an £80,000 loss this year has been given a reprieve for at least three years, Mr John Sutton, managing director of the Forth Ports Authority, said yesterday that the Methil Docks in Fife, rumoured to be about to close, would be kept running, although they would be operating at a loss.

He told a Press conference in Glenrothes that a petrochemical complex may be built in Mossburn, central Fife, and the port may be needed to bring in materials and equipment by sea.

## EEC production rises slightly

Brussels, Dec 5.—Industrial production in the European Community in September rose slightly over the two previous months, breaking the downward trend which began last summer, the Community statistics office said today.

The index of industrial production (base 1970) was a provisional seasonally adjusted 116.3 in September against 115.9 in July and August.

A slight rise in production of consumer goods has broken the previous falls while production of capital goods and products for further processing is still falling.—Reuters.

## Post Office review by Carter Committee 'omits important issue'

### Computer news

Concern that the important topic of the convergence of telecommunications with computing was not debated in the Carter Committee's review of the Post Office has been voiced in a joint statement by the British Computer Society and the National Computing Centre.

It is important to question the very basis of the Post Office monopoly, the two organizations say, if real progress is to be made for the provision, exploitation and use of appropriate data-communications services.

They argue that the Post Office should continue to hold a monopoly as a carrier, but that the content of any "mailing" equipment to the Post Office network should be allowed. Switching by either the Post Office or a user should be permitted.

The Post Office can never be aware of all the factors that may make it useful to switch and redirect traffic, the joint submission says. The existing switching monopoly inhibits the development and exploitation of socially useful technical possibilities.

The two organizations also believe that it is essential for there to be a firm commitment to a public switched digital data network by the early 1980s, and for such a network to be fully compatible at least with those in Europe and North America.

In the joint submission the BCS and the NCC point out that the "general licence for message-conveying computers" (prepared under Section 27 of the Post Office Act 1969) requires that a language or code comprehensible to the Post Office is used and that the Post Office can inspect the computer's messages and records of messages, and can monitor any message being conveyed.

These requirements, the two organizations suggest, are not in keeping with the current climate of opinion on matters of privacy and are not easily justifiable "unless one thinks in terms of protecting the existing monopoly".

Bearing in mind both the needs of users and the proposed changes in technology over the next 20 years, the society and the centre are concerned that Post Office policy and any restructuring will need to be "carefully evolved". These policies will have very considerable implications for all organizations concerned with data processing.

### CAP growth continues

The mass market era for microcomputers has arrived but so far has had little impact on data-processing departments and others heavily dependent on software, according to Mr Alex d'Agapeyeff, chairman of Computer Analysis & Programmers.

New vendors, users, applications and methods have emerged, but their effect on established computer usage has been in question rather than to replace existing practices.

Mr d'Agapeyeff was introducing the CAP group's annual results for 1976-77, published yesterday, which show that, including the Computer Program Products sales, turnover for the year rose by 94 per cent to £6.5m.

Pre-tax profit rose from £275,000 to £320,000. Turnover for 1977-78 would exceed £8m, the chairman forecast. Total staff numbers had increased from 500 in December, 1975, to 600 in December, 1976, and 700 in December, 1977.

### Market reports

Despite the impact of rival concepts such as distributed processing and small business systems, the "mainframe" computer will remain the dominant element in the Western European data-processing market, according to the Pactal consultancy, London.

The value of mainframe systems shipped in 1977 was 4.1 times that of computer terminals; and 1.5 times that of total software and services sales; and 1.4 times that of the combined shipments of minicomputers and small business systems.

Major United States suppliers account for an overall 84.4 per cent of the market, on the basis of installed base, by value, for 1977.

These figures are taken from Computer magazine, the first in a series of market reports which are being published by Pactal. Nine other subjects are covered, ranging from microcomputers to business communications; all 10 reports will be updated annually.

Kenneth Owen

## Indonesian oil discovery is confirmed

Hudson's Bay Oil and Gas announces that the operator (Iapca) has successfully completed testing Pertamina-Iapca Kartina number two in the south-east Sumatran contract area of Indonesia. It was reported in Calgary, Alberta, yesterday.

The well flowed at a sustained rate of 2,544 barrels of oil per day from a steady state production within the Telang A formation.

Kartina number two is a confirmation test to the Kartina number one discovery well located about 15 miles to the south. Drilling by parties holding adjoining properties is also under way.

## British Franchise Association sets up code of trading ethics to aid entrants into rapidly growing market

By Patricia Tisdall

A big increase in applicants for franchises for take-away food outlets, drain clearing, car rental, printing and other trades has been reported by the newly-formed British Franchise Association yesterday.

According to Mr John Gooderham, vice-chairman of the association, the association's committee and director of franchising for Dyno-Rod, growing numbers of people are seeking to use their redundancy payments together with gains from higher property values to set up in business on their own.

The association, which formally launched itself last week, aims to protect new-

comers from losing their savings in unscrupulous or ill-run operations.

By policing members and by setting up a code of trading ethics it also hopes to prevent the Government from enacting "ill-conceived and hasty" legislation against franchisors.

Members fear that antagonism arising from the adopting of the term franchising by traders driven out by legislation against pyramid selling and similar techniques has rubbed off on legitimate traders.

Sight of the biggest franchise companies who, with a combined turnover of over £105m and 1,300 outlets claim to repre-

sent 60 to 65 per cent of the franchise industry, founded the association in a bid to clear its reputation.

The founder members: Budget Rent-A-Car (UK), Dyno-Rod, Holiday Inns (UK), Kentucky Fried Chicken (GB), the Franchising chain of 50 printing and copying shops, the Service-Master cleaning and restoration service, Wimpey International and the Ziebold roofing specialists are mostly American in origin.

Four more franchise companies, Trust Houses Forte, Promuspa, Dayville and Hovet have applied and been vetted by the association and are due to join in January, and

the officers believe that a further 23 operations would be eligible for membership.

In the United States, franchise traders account for almost £240,000m (about £133,500m) worth of sales and represent around 30 per cent of all restaurant receipts.

Estimates, based on United States government statistics are that franchising has shown a growth rate of 31 per cent over the past two years.

In Britain, according to Mr David Acheson, managing director of Kentucky Fried Chicken (GB), franchising is in an embryonic stage, but this is still the second largest market for the franchisors.

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

### ISSUE OF

£12,500,000 The Royal Borough of Kensington and Chelsea  
Variable Rate Redeemable Stock, 1982

Authorized by the Council of The Royal Borough of Kensington and Chelsea and issued in accordance with the provisions of the Local Government Act 1972, the Local Authority (Stocks and Bonds) Regulations 1974 and the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974.

### PRICE OF ISSUE £100 PER CENT.

Payable in full on application

Interest (less income tax) will be payable half-yearly on 6 June and 9th December. A first payment of £4,320,000 (less income tax) will be made on 9th June, 1978.

The Stock is not an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961.

National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, is authorised by the Council of The Royal Borough of Kensington and Chelsea to receive applications for the above amount of Stock.

1. SECURITY.—The Stock and the interest thereon will be secured on all the revenues of the Council and will rank pari passu with the existing and future debt of the Council.

2. PROVISION FOR REPAYMENT OF LOANS.—The Council is required by Acts of Parliament and by the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974 to make appropriate provision towards redemption of loans raised for capital expenditure and to make such provision in connection therewith as may be required by the Secretary of State for the Environment.

3. PURPOSES OF ISSUE.—The net proceeds of the present issue of Stock will be applied to replace moneys temporarily borrowed, to finance authorised capital expenditure, to replace maturing debt and to finance further capital expenditure.

4. REDEMPTION OF STOCK.—The Stock will be redeemed at par on 9th December, 1982 unless previously cancelled by purchase in the open market or by agreement with the holders.

5. REGISTRATION.—The Stock will be registered and transferable free of charge in multiples of one pound, by instrument in writing in accordance with the Stock Transfer Act 1963. The register of the Stock will be kept at the National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD. In respect of transfers lodged by hand before noon, Stock Certificates in the names of the transferees will be available for collection by 2 p.m. on the same day. Certificates in respect of transfers lodged by post will be sent by ordinary post to the risk of the transferee. The transferee must register his name at his registered address unless instructed to the contrary are given in writing.

6. INTEREST.—Interest (less income tax) will be payable half-yearly on 6 June and 9th December by warrant (available for Town Clerks of the City of London) which will be sent by post to the Stockholder's risk. The first payment of interest will be made on 9th June 1978 at the rate of 10 per cent (less income tax) on the nominal value of £12,500,000 of the rate per annum determined by National Westminster Bank Limited, acting as an expert, to be equal to 2 per cent. per annum above the average (rounded upwards to the nearest 0.0001 per cent) of the rates per annum at which National Westminster Bank Limited was advised by Barclays Bank Limited and Lloyds Associated Banking Company Limited ("the Reference Banks") that sterling deposits in a marketable amount would be offered to them for a period of six months in the London inter-bank market at or about 10 a.m. on 9th December, 1977. The rate of interest payable ("Interest Rate") on each Interest Payment Date subsequent to 9th June, 1978 in respect of the immediately preceding half-year will be the rate per annum determined by National Westminster Bank Limited, acting as an expert, to be equal to 2 per cent. per annum above the average (rounded upwards to the nearest 0.0001 per cent) of the rates per annum at which National Westminster Bank Limited was advised by each of the Reference Banks that sterling deposits in a marketable amount would be offered to them for a period of six months in the London inter-bank market at or about 10 a.m. on the business day immediately preceding the commencement of such half-year. If either of the Reference Banks shall fail on request to advise such rate to National Westminster Bank Limited, the Interest Rate shall be determined by reference to the rate advised by the other Reference Bank. If both Reference Banks shall fail to advise such rate, the Interest Rate shall be determined by and reasonable by National Westminster Bank Limited acting as an expert. The Council will use its best endeavours to ensure that there will at all times be sufficient moneys to pay the interest on the Stock and to meet the redemption of the Stock. The certificate of National Westminster Bank Limited as to the Interest Rate payable in respect of any half-year shall be conclusive and binding on the Council and the Stockholder. Each determination of this Interest Rate for half-years other than the first shall be certified by National Westminster Bank Limited to the Council and to the Stockholder not later than 4.30 p.m. on the first business day of the relevant half-year, and the Council shall cause the said Interest Rate to be published in two leading daily newspapers not more than one business day later.

7. APPLICATION AND GENERAL ARRANGEMENTS.—Applications on the prescribed form, accompanied by payment in full, will be received at National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD before the closing of the List of Applications on Thursday, 8th December, 1977, and must be for a minimum of £100 Stock or for multiples thereof up to £1,000 Stock.

Larger applications must be made in accordance with the following scale:—  
Applications above £5,000 Stock and not exceeding £20,000 Stock in multiples of £500.  
Applications above £20,000 Stock and not exceeding £50,000 Stock in multiples of £1,000.  
Applications above £50,000 Stock and not exceeding £100,000 Stock in multiples of £2,000.  
Applications above £100,000 Stock and not exceeding £250,000 Stock in multiples of £5,000.  
Applications above £250,000 Stock and not exceeding £500,000 Stock in multiples of £10,000.  
Applications above £500,000 Stock and not exceeding £1,000,000 Stock in multiples of £20,000.

A separate cheque must be made payable to the order of National Westminster Bank Limited in full at the issue price that accompany each application form. Payments of £5,000 or more should be made by Bankers' draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London. No application will be considered unless these conditions are fulfilled.

The Council reserves the right to instruct National Westminster Bank Limited (1) to present all cheques for payment and to retain the definitive Stock Certificates and surplus application moneys pending clearance of the applicants' cheques and (2) to reject any application or to accept any application in part only. If an application is not accepted, the amount paid on application will be returned by post at the applicant's risk and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be returned by post at the applicant's risk.

8. STATISTICS.—Details of the Stock issued by the Royal Borough of Kensington and Chelsea will be published in the following form:—  
1. Formulation—mid 1976 (Registrar General's estimate) 161,200  
2. Population—1st April 1977 263,000  
3. Product rate—1st April 1977 263,000  
4. Domestic rate in the 1977/78 (estimated) 49.5p  
5. Non-domestic rate in the 1977/78 49.5p  
6. Net local debt—31st March, 1977 1,100,000

9. PROSPECTUS.—Prospectus and application forms may be obtained from: NATIONAL WESTMINSTER BANK LIMITED, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD and any of the principal branches of that Bank.  
PHILLIPS AND DREW, 1st Floor, 100, Abchurch Lane, London EC4N 3DF, The DIRECTOR OF FINANCE, The Royal Borough of Kensington and Chelsea, Town Hall, Horton Street, London W8 7NX.

The officers of THE STOCK EXCHANGE.  
By Order of the Council,  
Town Clerk and Chief Executive,  
N. S. WYNN,  
Director of Finance and Deputy Chief Executive,  
Town Hall, Horton Street, London W8 7NX,  
5th December, 1977.

The List of Applications will open at 10 a.m. on Thursday, 8th December, 1977, and will close at any time thereafter on the same day.

APPLICATION FORM FOR

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

Variable Rate Redeemable Stock, 1982

Issue of £12,500,000 Stock at £100 per cent.

To: NATIONAL WESTMINSTER BANK LIMITED,  
New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue,  
London EC2P 2BD.

I/We hereby apply for  (say) \_\_\_\_\_

\_\_\_\_\_ of the Royal Borough of Kensington and Chelsea Variable Rate Redeemable Stock, 1982, according to the conditions set out in the Prospectus dated 5th December 1977, and undertake to accept the same or any less amount that may be allotted to me/and to pay for the same in conformity with the terms of the said Prospectus. (I/We request that any Certificate in respect of Stock allotted to me/and to be sent to me/and by post at my/our risk to the first written address and that such Stock be registered in my/our name(s).)

I/We enclose the required payment of £ \_\_\_\_\_ being payment in full at the rate of 100 per cent. on the nominal amount applied for, and warrant that the cheque attached hereto will be honoured on first presentation and agree that any allotment of Stock shall be strictly on this understanding.

I/We declare that I am not a resident of one of the Scheduled Territories within the meaning of the Exchange Control Act 1947, and that I/we shall not be acquiring the Stock on behalf of or as nominee(s) of any person(s) resident outside those territories.

1977. SIGNATURE \_\_\_\_\_

First Name(s) in full \_\_\_\_\_

Signature and Designation (Mr, Mrs, Miss or Title) \_\_\_\_\_

Address in full (including postal code) \_\_\_\_\_

(The spaces below are for use in the case of joint applications)

Signature \_\_\_\_\_

First Name(s) in full \_\_\_\_\_

Signature and Designation (Mr, Mrs, Miss or Title) \_\_\_\_\_

Address in full \_\_\_\_\_

Signature \_\_\_\_\_

First Name(s) in full \_\_\_\_\_

Signature and Designation (Mr, Mrs, Miss or Title) \_\_\_\_\_

Address in full \_\_\_\_\_

PLEASE USE BLOCK LETTERS

\* Applications must be for a minimum of £100 Stock or in multiples thereof up to £1,000 Stock.

Larger applications must be made in accordance with the following scale:—

Applications above £5,000 Stock and not exceeding £50,000 Stock in multiples of £500.

Applications above £50,000 Stock and not exceeding £100,000 Stock in multiples of £2,000.

Applications above £100,000 Stock and not exceeding £250,000 Stock in multiples of £5,000.

Applications above £250,000 Stock and not exceeding £500,000 Stock in multiples of £10,000.

Applications above £500,000 Stock and not exceeding £1,000,000 Stock in multiples of £20,000.

If this declaration cannot be made, it should be deleted and reference should be made to an Authorised Depositary or, in the Republic of Ireland, an Approved Agent, through whom lodgement should be effected. Authorised Depositaries are listed in the Bank of England's Notice E.C.1, and include banks in the United Kingdom, the Channel Islands and the Isle of Man, and banks in the Republic of Ireland and the Bank of England's Notice E.C.10.

The Scheduled Territories at present comprise: the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

Instructions

1. In the case of joint applications, all must sign and, in the case of a corporation, this form must be completed under hand by a duly authorised officer who should state his designation.

2. A SEPARATE CHEQUE, WHICH MUST BE DRAWN ON A BANK IN AND PAYABLE IN THE UNITED KINGDOM, MUST ACCOMPANY EACH APPLICATION FORM. NO APPLICATION WILL BE CONSIDERED UNLESS THIS CONDITION IS FULFILLED. Payments of £5,000 or more should be made by Bankers' draft or by cheque drawn on a Town Clearing branch of a Bank in the City of London, and must be for a minimum of £100 Stock or for multiples thereof up to £1,000 Stock.

3. This form should be completed and sent to: NATIONAL WESTMINSTER BANK LIMITED, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, with a cheque payable to National Westminster Bank Limited in full at the issue price that accompany each application form. Payments of £5,000 or more should be made by Bankers' draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London.

4. No receipt will be issued for the amount paid on application but an acknowledgment will be forwarded through the post at the risk of the applicant either by a Bankers' draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London, and must be for a minimum of £100 Stock or for multiples thereof up to £1,000 Stock.

5. The amount of the payment. Cheques should be crossed "Not Negotiable".

6. No receipt will be issued for the amount paid on application but an acknowledgment will be forwarded through the post at the risk of the applicant either by a Bankers' draft or by a cheque drawn on a Town Clearing branch of a Bank in the City of London.

# Paterson Zochonis

## "Very satisfactory progress"

Growing spread of interests, both industrial and geographical, highlights the strength of the Group.

Key points from the accounts and statement by the Chairman, Mr. John Zochonis:

Earnings: Earnings per share increased for the ninth successive year, making a twenty fold increase over ten years. Attributable profits up from £7.1m to £8.6m.

Dividend: Dividend more than doubled—still covered more than seven times.

Results: Although affected by the exclusion from 1977 results of turnover and profits from the former Nigerian subsidiaries (now 40% owned associate companies),



## FINANCIAL NEWS AND MARKET REPORTS

## Tesco now sets sights on EEC takeovers

By Ashley Ducker

Increasingly higher turnover appears now to be crucial for supermarket groups since Tesco Stores (Holdings) dropped Green Shield stamps and turned a regime of price cuts. The consequence, with its High Street competitors, is that profit margins have been more than squeezed, underlined by Tesco's own decision to close more than 200 of its smaller outlets. The future, as Mr Leslie Porter, chairman, recently explained is for stores of 20,000 sq ft upwards. Less than a tenth of its 700 outlets have 20,000 sq ft.

Its latest move in actively seeking to take over one or more established stores chains in EEC countries, though none appears imminent, does not merely however seem designed to boost turnover. The main interest for Tesco, in seeking a takeover in Europe, is to and further expand the group's international network of buying offices and bulk buying agreements.

The company is discussing a takeover with two store groups, one French and one German. Each operating in its own country at present.

Talks with a number of other groups had come to nothing, he added. But in each case the talks were broken off by the other side, possibly because of unwillingness to negotiate against their own currencies.

## Whitecroft setback but rally on way

A first-half setback at Whitecroft, the textiles engineering and property group, has ruled out a repetition of last year's record pre-tax profit of £5m. Turnover of this Manchester-based group went up from £26.8m to £26.8m, over the six months to September 30, but pre-tax profits dropped nearly 18 per cent to £1.7m. This prompted a 10p fall in the shares to 176p.

Mr John Taveira, the chairman, says that the second half should produce better results but the group will not match its performance for 1976-77. The board continues its policy of investment in areas which promise growth, and "major contributions" are expected from this source next year.

Meanwhile, on attributable profits of £1.6m against £2.5m, the gross dividend is halved from £3.58p to 6.6p. Earnings a share are 16.1p against 20.1p. Commenting on the setback, Mr Taveira says that operating conditions for some textile companies which service consumer products and some industrial applications have been severe. Moreover, the building and construction companies are finding

it difficult to obtain enough work at acceptable margins, and their profits have fallen.

In spite of this, the group's chairman and directors' remarks continue to do well, and the engineering manufacturing companies are increasing their order books and profits.

This is in line with the group's expectations at the end of last year. The order book of the engineering division had grown and higher profits were looked for. However, Mr Taveira, who retired from the chair at the annual meeting in July, said that the return on capital employed in this sector was still unsatisfactory but an improvement was looked for. The textile subsidiaries had managed a 99 per cent increase in profits over the year thanks to its greater involvement in the specialist sector. It was placing particular emphasis on exports, and these markets were becoming increasingly important to the group.

The board was budgeting for more than £2m of capital expenditure on development and expansion of companies already in the group.

## WGI well on the road to recovery

The recovery in the second half last year at WGI, the civil engineering and process engineer and maker of refractory materials, looks as though it has been carried on into the current first half. Pre-tax profits for the six months to September 30 kept from

£261,000 to £497,000. The civil engineering side which caused most of the problem last year has made a £430,000 turnaround into a profit of £130,000. So with all the rest of the group's divisions now performing well it is expected that at least it will equal the record £1.2m

## Key issue for Dawson is strength of textile cycle

By Bryan Appleyard

Dawson International, the quality textile group, increased its pre-tax profits by 43 per cent on sales up by 25 per cent in the six months to September 30.

Sales rose from £29.8m to £40.2m and pre-tax profits from £3.9m to £10.4m. The board says order books are now full and second half profits should exceed the first, though the directors would not commit themselves on whether they would beat the £5.4m achieved in last year's second half.

This current year is the third of the present upswing in the textile cycle so the key issue is whether Dawson's share will slip back as they did in 1975 and 1977.

The board believes the cycle has been fundamentally changed by the intrusion of 50 per cent of the market and, in any case, the previous two troughs were deepened by external economic circumstances and the company's attempts at diversification.

Additionally the group has been strengthening its financial position with the aid of £2.2m (£1.2m) from the disposal of 50 per cent stake in Amicale Industries.

On trading, it says demand for all products has been at a high level throughout the first six months of the current year, in the case of Cashmere demand exceeds supply in spite of continuing rising raw material prices.

Despite the rise in the pound the company is still finding its suppliers, especially China, are demanding "hard" currencies like the Swiss franc and the German mark. However, the company's normal procedure of generating sufficient foreign currency to pay for its materials is continuing to work successfully, though there will be no exchange profits at the year-end as there were last time.

The interim dividend at 2.56p gross incorporated all the allowable increase over last year, and the company has made it clear that it regards its current level of cover at around 8 as being too high.

## Stock markets

## Gilts hold on to early gains

Not even the smallest monthly gain in the wholesale price index for 41 years could put any steam into a lethargic market.

At the outset most prices moved ahead a penny or so on small buying but thereafter they shaded to just below their starting levels as investors continued to play a waiting game. With so little action, bargains marked were just 4,100—dealers were left with plenty of time to discuss the prospects for a rally by the end of the year. Most now feel that the prospects are fading fast mainly because of the lack of progress in securing a measure of agreement on pay with the powerful trade union groups.

Among the casualties of the recent shakeout was Godfrey Davis. In mid-November it reported its first year of losses in the six months to September 30 then in the whole year before. Since then the shares have fallen from 83p to 70p. Yet profits for the year are estimated to grow from £2.4m to at least £3.25m. If so the price earnings ratio would drop to around five or even smaller.

In the shorter-run the miners' response to the Coal Board, due to be decided on Thursday, could provoke fresh action but probably not in the direction dealers would like.

The strength of sterling and the wholesale price index have helped gilts to hold on to early gains which at the long end of the market amounted to three-eighths of a point. Shorter dates were one-eighth better or unchanged by the end of the week.

The FT 100 closed 0.4 down at 486.3, having been 1.5 up at 11 am.

Stores shares performed well above the market average with the notable exception of Burton 'A' which dipped 3p to 78p on talk of a loss when the group are announced later this week. Dealers will be more interested to see what sort of forecast is made. Elsewhere on the pitch Marks & Spencer added 3p to 151p while there were tuppenny lifts from Boots at 215p and UDS at 92p.

In engineering unfavourable comment lowered GKN 6p to 57p and Vickers 6p to 181p. Machine tool manufacturer B Elliott was lowered 8p to 99p after disappointing profits but two others in the sector fared rather better after statements, these being Matthews Hall, mentioned here and up 7p to 180p

and WGI where the gain was of 2p to 82p.

Comment also gave a boost to Martonair, up 5p to 160p, and speculative interest was directed into Associated Fisheries, better by 3p to 56p. J Bibby 10p to 200p and Glenlivet where the rise was 10p to 480p in the hope of better terms after the Seagram rejection.

After its annual report Mairhead rose 7p to 175p in electrical where GEC edged ahead a penny to 245p in front of figures. Tesco's stated intention of expanding in Europe made little impression on the shares at 43p but Associated Dairies was hit by selling and closed 8p down to 248p. Sangers continued to react to last week's gloomy figures, shedding another 9p to 82p

while Redfearn rose 7p to 285p in front of figures due today. Equity turnover on December 2 was £62.30m (12.448 bargains).

Up 11p on small buying last week publisher Ben Brinkley met with further support to close another 5p ahead at 70p. No names are mentioned as potential targets, but one theory is that the group could soon go the way of Morgan-Grampian, sold last month to Trafalgar House.

Active stocks yesterday, according to Exchange Telegraph, were ICI, BP, National Westminster, BAT Ind and Dfd, Boots, Dunlop, GEC, Gas 'A', Reed International, Royal Midland, Manganese Bronze, B Elliott, Sangers and Lois.

## Latest results

Company Int or Fia	Sales £m	Profits £m	Earnings per share	Div pence	Pay date	Year's total
Alkins Bros (1)	4.6(3.5)	0.26(0.13)	(—)	1.2(0.87)	—	(3.2)
Bamford (1)	16(12.3)	0.58(0.76)	(—)	0.88(0.88)	6/2	1.7(1.38)
American Ex (1)	—	—	(—)	35(0.25)	—	—
Cardio Eng (1)	4.1(3.6)	0.42(0.38)	5.0(4.3)	1.5(1.3)	31/1	(2.6)
Carding Cp (1)	4.9(3.7)	0.34(0.24)	(—)	0.71(0.50)	—	(0.19)
Develco (1)	1.4(1.3)	—	1.4(1.3)	1.26(1.2)	—	(1.6)
Dawson Int (1)	40.2(29.7)	5.6(3.9)	(—)	1.7(1.35)	—	(3.3)
E. Elliott (1)	31.5(27.5)	2.0(1.9)	7.03(7.44)	2.5(2.0)	3/2	(4.7)
F. W. Evans (1)	1.5(1.2)	0.32(0.19c)	(—)	0.53(0.4)	21/2	1.03(1.0)
Globe Int (1)	—	—	(—)	—	—	(—)
Matthew Hall (1)	—	4.3(2.9)	(—)	1.76(1.57)	31/1	(6.2)
LOPS (1)	—	1.24(0.88)	(—)	—	—	(3.3)
Maxford (1)	3.9(3.7)	—	3.0(1.3)	1.5(1.0)	6/1	(6.0)
Michell Sams (1)	9.6(6.2)	1.2(0.88)	(—)	1.57(0.55)	30/1	(1.4)
W. E. Norton (1)	4.6(3.3)	0.28(0.16)	(—)	0.24(0.30)	20/1	(0.61)
Notts Brick (1)	1.7(1.5)	0.50(0.42)	58.54(37.50)	7.7(7.5)	22/2	11.55(1.27)
Sand Osborn (1)	25.1(21.0)	3.4(2.3)	(—)	2.57(2.2)	16/1	(3.2)
Alfred Freedy (1)	25.1(21.0)	0.29(0.20)	(—)	0.57(0.41)	1/2	(1.4)
Samuelson F (1)	6.6(4.7)	0.63(0.33)	23.07(13.62)	4.4(7.3)	3/1	7.4(7.3)
Waters Group (1)	1.8(1.6)	0.5(0.23)	(—)	0.5(0.5)	28/2	1.54(1.5)
Soyman (1)	—	—	(—)	1.5(1.0)	18/1	(3.1)
T. Warrington (1)	—	0.09(0.07)	(—)	1.16(1.16)	24/1	(3.1)
WGI (1)	12.9(9.8)	0.49(0.26)	(—)	2.0(1.5)	27/1	7.86(5.2)
Whitecroft (1)	26.8(23.8)	1.7(2.1)	16.1(20.1)	4.4(2.3)	4/4	(12.0)

Dividends in this table are shown as net pay on new shares

Fiscoperch in Business News dividends

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown gross and net after the net dividend by 1.55. Profits are shown pre-tax and earnings are net. a Loss. b Forecast. c Adjusted for amendment of stock valuation.

## LOFs shares slump on news of £1.2m pre-tax loss

By Tony May

Stripped of its Austin & Pickersill shipyard by nationalisation, London & Overseas Freighters has turned in a loss of £1.2m for the six months to September 30 against a pre-tax profit of £2.3m. The news sent the shares down 51p to 36p.

Mr Basil Mavrolean, the chairman of what is now a ship-

owner with a stake in block 16/13 in the North Sea and IDS finet, says that nothing is included in the results in the way of interest on government compensation for Austin & Pickersill. Just how much government stock the group will end with cannot be guessed at, and talks will not be starting with the Government until early in the new year.

Mr Mavrolean has already made it clear that the amount of compensation, which will in any case not be in cash, "will almost certainly be insufficient to yield a return comparable with that expected from A & P during the next few years."

Details of the group's half-year turnaround show that a trading loss of £574,000 grew

into one of £1.9m and sales of ships brought in only £1.28m against £2.96m. Austin & Pickersill's dividend amounted to £329,000 against £782,000, and losses on the repayment of foreign currency loans took £489,000 against £348,000.

For the full year to March 31, the board thinks it is unlikely that any corporation tax liability will arise.

## Matthew Hall

## Interim Report for the nine months to 30th September 1977

The Group's results (unaudited) for the nine months ended 30th September 1977 are:	9 months to 30.9.77 £'000	9 months to 30.9.76 £'000	12 months to 31.12.76 £'000
Profit on trading			
Oil, Chemical and Industrial Engineering	1,475	742	1,115
Mechanical & Electrical Services	1,908	1,657	2,664
Total profit on trading	3,383	2,399	3,779
Share of loss of associated company	(86)	—	(56)
Interest receivable	1,055	548	897
Profit before taxation	4,352	2,947	4,620
Taxation	2,209	1,727	2,549
Profit after taxation	2,143	1,220	2,051
Outside shareholders' interests	67	(9)	23
Attributable to shareholders	2,076	1,229	2,028
Ordinary dividends	201	180	722

## The Chairman, Sir Rupert Speir, comments:

The Group has again produced an excellent performance for the first nine months of the year with profit before taxation of £4,352,000, as against a profit of £2,947,000 for the same period last year. I anticipate that in the full 1977 year profit before taxation will achieve the £6m mark compared with £4,620,000 in 1976.

The Engineering Companies have maintained their increased momentum in obtaining further energy work, on-shore and off-shore, especially in regard to coal mining, oil and gas projects. It is particularly encouraging that our Dutch subsidiary has improved upon last year's excellent performance.

The Mechanical and Electrical Services Companies have maintained their previous performance; this is a more remarkable achievement since the building and construction industries generally have been suffering a severe recession. I am glad to say, however, that this situation has been cushioned to a considerable extent by securing an increased proportion of our work from the industrial sector. Indeed, the level of orders received so far this year has been most encouraging with many interesting projects, both in the UK and Overseas in hand and in prospect.

As a result of the Group's continuing growth of business our Head Office at Tottenham Court Road is no longer large enough to house both our Engineering and our Mechanical Services Companies. Consequently, the latter has moved to new self-contained premises at Great Dover Street, near London Bridge, and our Engineering Company is rapidly moving into the vacated space.

I am also pleased to announce that the Directors have declared an interim dividend of 1.7606p ordinary share which, with the tax credit, is equivalent to 2.6676p gross (1976 2.4251p) in respect of the year ending 31st December, 1977. Because the rate of Advance Corporation Tax applicable to the 1976 final dividend was reduced after the dividend had been declared, the full amount of the permitted increase in 1976 dividend was not, in fact, paid. Accordingly, the Directors have declared a further amount of 0.0733p per share, excluding the tax credit, being the difference between the dividend actually declared in respect of the year ended 31st December, 1976 and the maximum permissible under the applicable dividend control. For the purpose of computing the maximum rate payable in respect of the current year, the additional gross equivalent of 0.0733p will therefore be added to the rate of dividends payable in respect of the year ending 31st December, 1976. Payment will be made by a single warrant on 31st January, 1978 to shareholders on the Register at 3rd January, 1978.

Matthew Hall & Co., Limited, Matthew Hall House, Tottenham Court Road, London W1A 1BT.

INTERNATIONAL DESIGN AND ENGINEERING CONTRACTORS

## SCHEME OF AMALGAMATION BETWEEN

Save & Prosper Ebor Financial Fund ("Ebor Financial"),  
Save & Prosper Ebor Property Share, Building & Allied Trades  
Unit Trust ("Ebor Property")  
and Save & Prosper Financial Securities Fund  
("Financial Securities").

The Scheme of Amalgamation proposed to holders of Ebor Financial, Ebor Property and Financial Securities at meetings held on 27th October 1977 has been duly approved by the holders in all three funds and has therefore been implemented in full with effect from 1st December 1977.

Holders in Ebor Financial have been allocated 0.563562 'A' units in Financial Securities for each Ebor Financial unit held at close of business on 30th November 1977.

Holders in Ebor Property have been allocated 0.766132 'B' units in Financial Securities for each Ebor Property unit held at close of business on 30th November 1977.

Dealing in units in Ebor Financial and Ebor Property ended at the close of business on 28th November 1977 and subsequent dealings are now transacted in the units of Financial Securities. Unit certificates for 'A' and 'B'

units of Financial Securities will be forwarded to Holders of Ebor Financial and Ebor Property respectively on or before 30th November 1977. 'A' and 'B' units of Financial Securities may be sold prior to receipt of the new certificates of Financial Securities, payment being made only against delivery of the relevant certificates in Ebor Financial or Ebor Property respectively.

'A' and 'B' units of Financial Securities will at all times have the same quoted price as existing units of Financial Securities and differ only in the amount of the distribution to be made on 15th January 1978 to which they are entitled.

Further details may be obtained from the Managers:  
Save & Prosper Securities Limited,  
4 Great St. Helens,  
London EC3P 8EP  
Tel: 01-564 8899

## SAVE &amp; PROSPER GROUP

## Bamfords nearly tops £1m

The upward march of profits continues at Bamfords, the agricultural machinery, fencing materials and grey iron castings group, in which Frederick H. Burgess group now has a 57 per cent stake. Having managed a "reasonable" increase in its interim results, the group did not expect the second half's sales to match up.

This proved to be the case with sales of £7.69m being brought in compared with £5.4m over the first six months. The total for the year to September 30 went up from £12.3m to £16.1m and pre-tax profits nearly broke the £1m barrier at 1975-76 peak of £763,000.

The dividend total is double that for last year's 2.66p gross. The current financial year has twelve months to run but the outlook should not be very different.

## Rustenburg warning on platinum prices

Despite the recent increase in the platinum price from \$162 to \$175 an ounce, Rustenburg Platinum Holdings needs "a much higher" platinum price and better prices for its other metals to increase profits over the last year's 2.66p gross.

The current financial year has twelve months to run but the outlook should not be very different. Platinum demand was unlikely to increase significantly this year. Unless the exporters' allowance "was restored" for the platinum market, the platinum price would be "seriously impaired".

## Pearson Longman bid plans blocked

Plans by Lord Cowdry's publishing and printing empire S. Pearson & Son to expand in the United States have been scuppered by the family interests of Lord Thomson. Subsidiary Pearson Longman's \$25 a share agreed bid for California-based Wadsworth Publishing has been topped by Thomson Equitable Corporation of Toronto which has picked up a 32 per cent stake in Wadsworth at \$31.50. The group, which owns a controlling interest in The Thomson Organisation, is understood to be planning a bid for the balance.

## Davenports Brewery recoups downturn

Davenports Brewery (Holdings), the Birmingham-based group headed by Mr Neville Frost, has recouped the slight interim downturn. After a 5.7 per cent fall at the halfway mark, pre-tax profits for the 12 months to end-September last climbed by 4 per cent to a peak £1.45m.

A final dividend of 2.984p hoists the total to the maximum permitted 4.152 gross per share.

## UNICORN INDUSTRIES

Group discussing possibility of taking 50 per cent stake in Crelis Group, part of Swedish Atlas Copco. Unicorn, the largest UK private company in the world, may also secure option for remaining 50 per cent.

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

## ISSUE OF

£7,500,000 The Royal Borough of Kensington and Chelsea

11½ per cent. Redeemable Stock, 1985-87

PRICE OF ISSUE £98½ PER CENT.

## Payable as follows—

On Application	£10 per cent.
On 6th February 1978	£80 per cent.
On 10th March 1978	£89½ per cent.
	£98½ per cent.

Interest (less income tax) will be payable half-yearly on 30th April and 31st October.

A first interest payment of £2,500 (less income tax) per £100 Stock will be made on 30th April, 1978.

Authorised by the Council of The Royal Borough of Kensington and Chelsea in accordance with the Local Government Act 1972, the Local Authority (Stocks and Bonds) Regulations 1974 and the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974.

The Stock is an investment falling within Part VI of the First Schedule to the Trustee Investments Act, 1961.

1. SECURITY.—The Stock and the interest thereon will be secured on all the premises of the Council and will rank pari passu with the existing and future debt of the Council.

2. PROVISION FOR REPAYMENT OF LOANS.—The Council is required by Act of Parliament and by the Loans Fund (The Royal Borough of Kensington and Chelsea) Scheme 1974 to make appropriate provision towards redemption of loans raised for capital expenditure and to make such provision in connection therewith as may be required by the Secretary of State for the Environment.

3. PURPOSES OF ISSUE.—The net proceeds of the present issue of Stock will be applied to reduce monies temporarily borrowed, to finance authorised capital expenditure, to replace maturing debt and to finance further capital expenditure.

4. REDEMPTION OF STOCK.—The Stock will be redeemed at par on 31st October, 1987 unless previously cancelled by purchase or by agreement with the holders. Further, the Council has the option to redeem the Stock at par, in whole or in part, on or at any time after 31st October, 1985 on giving not less than three calendar months' notice to the Stockholders in writing or to public advertisement.

5. REGISTRATION.—The Stock when fully paid will be registered and transferable free of charge in amounts and multiples of one penny by instrument in writing in accordance with the Stock Transfer Act 1983 at National Westminster Bank Limited, Registrars' Department, P.O. Box 84, National Westminster Court, 37 Broad Street, Bristol BS2 0TB.

6. INTEREST.—Interest (less income tax) will be paid half-yearly on 30th April and 31st October by warrant, which will be sent by post at the Stockholder's risk. In the case of joint accounts, the warrant will be sent to the first named in the account unless instructions to the contrary are given in writing.

7. APPLICATION AND GENERAL ARRANGEMENTS.—Applications which must be on the prescribed form and must be accompanied by a deposit of £10 per cent of the nominal amount applied for will be received at National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD.

Applications must be for a minimum of £100 Stock or in multiples of £100 for applications up to £1,000 Stock. Larger applications must be made in accordance with the following scale—

Applications above £1,000 Stock and not exceeding £5,000 Stock in multiples of £1,000.

A separate cheque drawn on a bank in and payable in the United Kingdom must accompany each application form. No application will be considered unless this condition is fulfilled.

In the event of partial allotment, the surplus from the amount paid as deposit will be refunded to the applicant by cheque. If the allotment is in full, the deposit will be returned in full. No allotment will be made for less than £100 of Stock.

National Westminster Bank Limited reserves the right to refuse any application for allotment of a cheque drawn on a country branch of National Westminster Bank Limited to any applicant whose application was not supported by a Banker's Draft or by a cheque drawn on a Town Clearing Bank of a Bank in the City of London.

Form B in full may be made at any time after allotment, but no discount will be allowed. Default in the payment of any instalment by its due date will render all previous payments liable to forfeiture and the allotment to cancellation.

Each applicant to whom an allotment of Stock is made will be sent a renounceable Letter of Allotment, which must be produced when instalment payments are made. Letters of Allotment which may be split up to 3 p.m. on 22nd March, 1978 will contain forms of renunciation which will be available up to 3 p.m. on 24th March, 1978. On production of a Letter of Allotment in full, the Letter of Allotment will be returned to the sender. When payment in full is made, the Letter of Allotment will be returned to the sender unless the registration application form has been completed, in which case pages 1 and 2 only of the Letter will be returned to the sender.

Partly paid Letters of Allotment may be split in multiples of £100 Stock, but fully paid Letters of Allotment may be split into multiples of one penny of Stock. No Letters of Allotment will be split unless all instalments due have been paid. There will be no charge for splitting Letters of Allotment.

The Stock Certificate will be despatched by ordinary post at the risk of the Stockholder(s) without further request on 21st April, 1978 to the first named registered holder at his/her registered address. If between 24th March, 1978 and 14th April, 1978 the holder of a Letter of Allotment is not a country branch of National Westminster Bank Limited, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD with the leading agent's name and address inserted in the space provided at the foot of page 1, the Letter of Allotment will be despatched to



## FINANCIAL NEWS

## Matthew Hall doubts on final quarter

By Richard Allen

Matthew Hall, the mechanical services and process plant group, has pushed pre-tax profits up by 48 per cent to £4.35m in the nine months to September 30.

So the prediction from Sir Rupert Speir, chairman, that full-year profits will "achieve the £6m mark" is either a sign that the group is having a poor final quarter or simply a reflection of the group's caution.

Judging by past performance, the latter is almost certainly the case. Last year Matthew Hall made a total of £4.52m after predicting at least £4m.

Thus the group need only repeat last year's fourth quarter performance to beat £6m and a figure in excess of £6.5m now seems a more likely outcome.

The nine-month tally has been achieved on the back of almost doubled trading profits of £1.48m from the oil, chemical and industrial engineering division.

Mechanical and electrical services increased trading profits 15 per cent to £1.9m, reflecting a relatively flat performance. Sir Rupert, however, points out this is a more remarkable achievement since the building and construction industries generally have been suffering a severe recession.

The pre-tax total has also been swollen by over £1m compared with £248,000 investment earnings on the group's cash hoard, which could now be in excess of £10m.

The group justifies retention of these balances partly on the need for bonding on overseas operations and denies any take-over aspirations even though lower interest rates should now be trimming returns.

Meanwhile, the group reports that the total order book has increased to around £200m compared with £160m. The interim dividend payment goes up from 2.43p to 2.67p gross. Last year's total amounted to 9.76p gross.

## Mitchell Somers 42pc ahead

By Michael Clark

Engineer and forgemaster Mitchell Somers, in which Johnson & Firth Brown has at present a stake of 24.7 per cent, reports a rise in pre-tax profits for the first half to October 1 of 42.8 per cent to £1.2m.

Turnover of the West Midlands-based group, which earlier this year took control of Wolverhampton Die Casting, has increased from £6.2m to £9.5m. In spite of this margin slipped by 1 per cent to 13 per cent.

Nevertheless Mr L. J. Thomas, chairman, in his statement accompanying the results, says that the board is pleased at the outcome in what has proved to have been a difficult trading period. But his board is confident that the group will be able to cope with the present cloudy industrial scene. Meanwhile it pays an interim dividend of 2.37p gross compared with 0.83p and intends to pay a final dividend of not less than 2.37p gross in September, 1978.

## Dull trading overseas trims B Elliott midterm outcome

By Alison Mitchell

Difficult trading conditions overseas put the brake on interim profits at machine tool manufacturer and distributor B. Elliott.

In the six months to September 30 the group made a pre-tax profit of £2m against a previous £1.96m on turnover which showed a 14 per cent rise to £31.4m.

However stripping out the £258,000 post-acquisition profit from the Newall Group, taken over with effect from July 4, group profits slipped £200,000 against the previous comparable period.

And it was the overseas side which did the damage. According to Mr Mark Russell, chairman, there was a sharp downturn in the sales and profits in South Africa, Canada, which slipped into the red, and Australia. In total the overseas companies, after currency adjustment, contributed £145,000 to profits. This compares with £719,000 in the first six months



Mr. Mark Russell, chairman.

of last year and £143,000 in the second half.

The group is currently widening its North American markets to take in the United States but the chairman warns

that there is unlikely to be any real improvement from this side in the current year.

In a more buoyant home market the United Kingdom division increased their profit contribution by a third to £1.5m. The improvement here was across-the-board and the chairman reports that a general upturn in investment has shown through to Elliott's order books.

About 30 per cent of manufactured goods are now exported and the longer-term potential for further overseas business is high. Several large contracts have recently been won by the group.

Although making no forecasts for the year end, Mr Russell reports that the signs are encouraging in the United Kingdom. All divisions have shown a substantial increase in orders during the past two months and seeing half figures will also include a full contribution from Newall. Elliott has embarked on a heavy expansion programme.

## Mannesmann foresees drop in 1977 returns

## International

Mannesmann AG, West German steel pipe and engineering concern says that this year will certainly be lower than 1976. DM302m (about £72m) net profit in the world group as sales stagnated at the 1976 level of DM11,800m.

The group also said that the cash dividend would be lowered from DM7 per DM50 nominal share in 1976 due to the corporate tax reform effective this year. No figure was given for the 1977 dividend.

World sales in the first nine months of 1977 totalled DM7,400m down 9 per cent from DM8,200m in the comparable period last year. Only booking of large industrial plant orders would enable sales this year to attain last year's level.

Capital spending in the first nine months was DM423m. Mannesmann said spending for the year would fall short of 1976's record DM826m. The sales decline was due in large part to lower sales in foreign subsidiaries. The group said.—AP-Dow Jones.

wholly-owned subsidiary of the Ciba-Geigy Corp. Glaxo makes a variety of home cleaning products.

## Morocco gets loan

Morocco has obtained a \$325m (about £182.2m) seven-year bank loan from a syndicate led by Citicorp International Bank under loan agreements signed in London. Citicorp said the loan would bear interest that varies at 1.125 points above London Interbank offered rates (LIBOR) for Eurodollar deposits for the first three years and 1.25 points above LIBOR for the remaining four years. Fees were not disclosed. Repayment in instalments begins after three years of grace. The loan is to finance certain industrial projects under Morocco's fourth development plan.

## Agfa purchase

Agfa-Gevaert of America has completed its purchase of the Low & Wolf X-ray divisions of IPCO Hospital Supply Corporation, Dr Albert Eken, managing director of Agfa-Gevaert and Mr John William, president of IPCO announced. Agfa-Gevaert has acquired the assets of the two IPCO X-ray divisions, including a low voltage contract as exclusive United States distributor of Agfa-Gevaert X-ray film and other products for about \$35.2m (about £19.5m). The purchase price is payable within 12 months and is subject to possible adjustment, but any such adjustment is not expected to be material.

## CAIL keeps ahead

The improved profitability of Coal & Allied of Australia (CAIL) continued into the current half-year and is markedly above the depressed first half of last year, the chairman, Mr William Howard-Smith said. Consolidated net operating profit was \$45.55m (about £3.4m) for the year ended 30. This was against \$4.5m in the similar period a year ago. Mr Howard-Smith said the group would make a further submission to the New South Wales Government on the 500 million tonnes Newmarket coal deposits, near Newcastle in the coming week.

## Strike hits Pullman

Mr Samuel Casey Jr, president of the Pullman Company of America, manufacturers of transport equipment, says that the company's 1977 fourth quarter earnings could be lower than 1976's level if a strike at five of its Pullman standard plants continues. Mr Casey said the company was losing \$2m (about £1m) a month as a result of a strike which began in October by the United Steelworkers of America.

## Heinz optimistic

H. J. Heinz Company, the Pittsburgh-based food manufacturer, says that it is optimistic that it will have higher earnings and sales in 1978. Heinz said that the results of cost-reduction programmes added operating margins. Last year, Heinz earned \$83.8m (about £46.5m) and had sales of \$1,800m.

The group said that its marketing expenditures more than doubled in the first-half as the expansion of new products into wider market areas was accelerated. For the first-half ended October 26, Heinz reported earnings of \$43.3m on sales of \$1,000m.

## Roussel-Uclaf

Roussel-Uclaf, the French pharmaceutical group, controlled by Hoechst AG of West Germany, says that it intends to lift its capital to \$34.2m (about £37m) from the present \$15.9m (about £17.5m) by doubling the nominal value of its ordinary shares to 100 francs and by issuing new shares on a one-for-10 basis. The new shares will be eligible for dividend payments retroactive to January 1 this year.

M. Henri Moond, director-general, said that he expects the dividend payout for the 1977 financial year to be maintained at 9.50 francs net per share paid for 1976 on the increased number of shares.

## Airwick plans deal

Airwick Products, consumer products division of Airwick Industries of America, says it will purchase the principal assets of Glamorene Products Corporation, a subsidiary of Lever Brothers. The effective date is expected to be January 8. Airwick Industries is a

## Vavasseur's latest capital re shaping goes through

## Briefly

Proposal for the third capital reconstruction of J. H. Vavasseur were passed yesterday at an extraordinary general meeting despite opposition from certain first preference stockholders. The proposal will proceed with the one-for-one share offer for its successful advertising subsidiary, the 80.7 per cent-owned Mills & Allen International.

Under the terms of the reconstruction the clearing bank Support Group, which has been nursing Vavasseur since the secondary banking crisis of 1973, will lengthen its loans with the result that the reorganised and enlarged group will hold short-term debts of around £203,000 and long-term borrowings of £795m.

The reorganization means that a holding of 100 Vavasseur ordinary shares will become one of 11 new ordinary shares of 50p each, on this basis, 21.9 per cent of the enlarged equity will be available to holders of the Mills & Allen minority shareholders. A further 22 per cent will be controlled by Britannia Arrow Holdings (formerly Slater, Walker Securities), the Prudential Assurance will hold 6.3 per cent though London New demutiny, other institutions will take 13 per cent while Hambros Group, whose merchant banking arm has advised Vavasseur through all three reconstructions, will control 7.8 per cent.

Business appointments

## Group financial director for Howard Machinery

Mr Richard Overend has joined the main board of Howard Machinery as group financial director.

Mr George Probert has become managing director of K. Shaw. Senior executive posts in the British Linen Bank, which was revived last week, are as follows: Mr D. Bruce Patullo, director and chief executive; Mr Thomas Bennie, deputy chief executive and assistant director; Dr Joan Smith, secretary.

Mr T. L. F. Royle, chairman and chief executive of Hogg Robinson, has become chairman of Hogg Robinson (UK). Hogg Robinson (Life & Pensions), the Credit Insurance Association, Control Risks and Hogg Robinson Leasing. Mr J. P. S. Riddell has been made deputy chairman of Control Risks, chairman of Investment Insurance International (Managers) and joins the board of Hogg Robinson Leasing. Mr T. K. Bridgman, Mr E. C. Davies and Mr A. B. Osof have been made directors of the Credit Insurance Association. Mr M. S. Connell is to be a director of Investment Insurance International and Dr Clutterbuck is now on the board of Control Risks.

Mr Roger Denning has joined as design director, the board of WTC Management Services. Sir Richard Hogg Robinson has become a director of Alfa-Laval.

Dr John Bailey has been made managing director of Galloway. Mr M. S. M. Johns becomes a director of Empire Plantations and Investments.

Mr Duncan Provan has been made managing director of the Bopess Iron Company. Mr Ray Burman has been made executive director of the London World Trade Centre.

Mr Ken McInnes has become a director of Polygram Leisure. Mr Watson Lewis has joined the board of P. W. Keithing. Credit Insurance Association, Control Risks and Hogg Robinson Leasing. Mr Michael Davis joins the board of Keithing North America.

Mr Brian Paine takes over as chairman and managing director of Sundridge Power Composites. Mr Ronald Elliott joins the board.

Mr Michael Murray, managing director of East Assured, has been elected chairman of William Lawrence. Mr J. E. Richards has been made a director of Ryan Industries.

Mr I. E. Rae has been made a director of Brown & Tawse.



## Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

## Chairman's Review by Sir Albert Robinson

The thirty-first annual general meeting of the company will be held in the board room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, at 09h30, on Wednesday, 14 December 1977.

The Company's consolidated after-tax profit for the financial year 1977 amounted to R4.6m. As explained in the Directors' Report, the Board of RPM has instituted two changes in the company's accounting procedures in order to reflect trading results based on the current cost of production and to make a provision for the cost of maintaining production capacity. As a consequence the profit declared for 1977 is not comparable with the profit achieved in 1976.

In the inflationary climate which the world is experiencing at present, the current cost of production is inevitably much higher per unit produced than the average cost of both stocks and production. Previously, the cost of sales was accounted for on the basis of an average cost of opening stocks and production but because such accounting procedures, influenced as they are by lower production costs in previous years, overstate current profitability and are misleading, your Board decided to value stock by the accounting method known as LIFO.

Shareholders are aware that under normal circumstances industrial companies provide for the replacement of assets by means of a charge to the income statement. This charge provides the cash flow necessary to replace or maintain production assets. Traditionally this is not done in the South African mining industry the cash required to maintain production capacity (on-going capital expenditure) is appropriated from profits after tax. Because of its immense reserves and immeasurably greater life when compared with the gold mines, Rustenburg may be considered to be more akin to an industrial company. It can therefore, with some justification, treat its accounts in respect of the replacement and renewal of assets in a way similar to that adopted by an industrial company. Consequently, the company's previous practice of capitalising expenditure on the maintenance of production capacity has been changed and a provision is now made for the renewal and replacement of such capital items as a charge against profits.

On the previous basis of accounting the declared profit before tax for 1977 would have been R88.3m compared with R44.1m for 1976. However, the level of declared pre-tax profits of R4.5m on the new accounting basis now reflects more realistically the profitability of operations during the year, and hence a better measure of what profit is available for appropriation for dividends and capital requirements. The decision to pass the final dividend was not influenced by the new accounting system. The additional costs which have been introduced in determining profits under the new basis of accounting would have been met by appropriation out of the higher level of profits declared on the previous accounting basis and therefore the profits available for distribution would, in any event, have been inadequate to pay a final dividend.

The passing of a final dividend was the result of the weak market conditions that prevailed and the effects of inflation on capital and working costs. The company's financial position over the last few years has been adversely affected in two ways. Firstly, the company's published price of platinum, which was \$190 per ounce in 1974, was forced down to \$155 and was adjusted subsequently to \$162 for most of the next three years. Secondly, the company has suffered high and escalating costs of replacement of shafts and development necessary to maintain the mines' continuing ability to produce. Since 1974 the cost per ounce of platinum produced has increased by some 97% and the cost of capital items has doubled.

As the price of platinum and its by-products has been unduly low, profits after tax have been seriously eroded with the result that the company's financial position has deteriorated. Surplus supplies caused market prices of platinum to remain below the company's published price of \$163 per ounce for much of the past year.

In view of the continuing excess of supply over demand and the prevailing weak prices for the platinum group metals as well as for nickel and copper, Rustenburg announced on the 1st November that it was reducing production by between 10% and 20%. Despite the reduction, we shall continue development for as long as possible. Our objective is to be able to return with a minimum of delay to the level of production that prevailed prior to the 1st November in the event of a resurgence in demand. However, unless platinum price levels increase substantially it will be impossible to increase production capacity much beyond one million ounces per annum. In short, to justify any expenditure on increased production capacity Rustenburg requires a markedly higher price. The first step towards achieving this end was taken on 28th November when Rustenburg increased its price to

\$175/oz. This followed a rise in the Free Market price of platinum of more than \$20 over the previous three months. Further to the decision to cut back production, the Board has decided to reduce capital expenditure on the mines for the current financial year from R22.5m to R15 million.

Apart from the weakness in demand for platinum the substantial oversupply situation that is currently prevailing in the nickel market is having a serious impact on the company's sales of nickel. This metal is second to platinum in terms of revenue earned by the company and is therefore very important to the company's financial position. The Free Market price for nickel, which was \$2.20 per lb CIF in September 1976 has declined and is now about \$1.80 per lb CIF.

Another major setback to the platinum industry in South Africa occurred during the year. This industry has been able to make use of the exporters' allowance as a deduction from taxable income for 15 years. This concession has enabled the industry to claim a portion of its marketing expenses as an allowance for tax in addition to these expenses being allowed as a cost. However, as a result of the 1977 Income Tax Act the industry has been deprived of this allowance in respect of platinum and the other platinum group metals. The withdrawal of the allowance has come at a critical time for the industry and will have a considerable impact on profitability. The company has incurred considerable expenditure in seeking and promoting new markets for platinum. The metal has to be marketed both vigorously and extensively. However, without the benefit of the exporters' allowance the company's ability to market the metal effectively will be seriously impaired. Representations have been made to the Minister of Finance to consider the re-introduction of this valuable marketing and financial aid.

The company is concentrating its efforts on reducing the impact of inflation on its costs by improving productivity. In particular there are two areas of the operation that have a significant impact on its profitability. One of these is the Matthey Rustenburg Refiners (Rustenburg) plant, where RPM's main role is to separate the platinum group metals and to produce nickel and copper. Although this plant is operating satisfactorily, the costs incurred are high. Steps are now being taken to modify part of the plant in an effort to reduce costs in the short to medium term. For the longer term we are investigating the desirability of introducing a completely new process. The other factor that contributes to the high costs of the company's operation is the depth at which we are currently mining. At both the Rustenburg and Union sections we are mining at much greater depths than other South African producers. At the Amandelbult section, however, we are operating relatively close to surface and it will be some years before a second generation of vertical shafts has to be established. Thus as the importance of Amandelbult to the company's operations increases, the lower costs of operating this section should have an important impact on the company's profitability. As time progresses the centre of the company's operations could well move from Rustenburg and Union Sections to the shallower areas at Amandelbult.

## Automobile Industry

Despite an increase in U.S. automobile production in the 1977 financial year, the company's sales of platinum and palladium for use by this industry were lower than the volume achieved in 1976. Excess quantities of both metals were accumulated in 1976 and these were subsequently drawn upon in 1977 thereby reducing the quantities purchased in that year. Present indications suggest that the company's sales in the current financial year will be higher than for 1977.

A substantial part of Rustenburg's sales of platinum for use by the automobile industry is effected at a price that was established in 1972. While an escalation in price is provided for, this has proved to be totally inadequate in the light of the rapid escalation in working costs that has occurred subsequently. In fact these sales of platinum are now incurring losses and negotiations are under way to redress this situation.

Although an amendment to the U.S. Clean Air Act was passed by the U.S. Congress in August 1977 extending the model year 1977 automobile emission standards to model year 1979, the amendment does require a tightening of standards in model year 1980 and a further tightening in model year 1981.

We expect that the emission levels for 1980 and 1981 will require increasing quantities of the three-way conversion catalyst, which reduces the emissions of the three main pollutants, namely carbon monoxide, hydrocarbons and oxides of nitrogen. This is expected to reflect increasing requirements for platinum. However, there is a strong possibility that the recovery of platinum from catalysts on scrapped automobiles could start in the early 1980's. Depending on the economics of the recovery process this quantity of recycled metal may reach a significant level by 1985 and have the effect of reducing demand for newly mined platinum.

## Jewellery Promotion

The company's jewellery advertising and promotion campaigns continued during the past financial year. Although we do not expect to reap the benefit from these campaigns in the short term, we believe that in the longer-term interest of the platinum industry we must continue with these activities. Much more time, effort and money will have to be expended, but we are confident that the company's efforts will stimulate a meaningful level of demand in due course.

The current annual expenditure on this programme is approximately R5 million. The results that have emerged to date have been encouraging in that a growing awareness of platinum jewellery has been stimulated. In all the markets where we are active, there is increasing co-operation and enthusiasm from the trade and interest on the part of the consumer. Research into the technical aspects of working in platinum is being extended and training for manufacturers is being sponsored. Design is receiving special attention. Joint promotions - in which manufacturers or retailers contribute to costs - are becoming more common and platinum is now featuring in prestigious national and international jewellery exhibitions.

There are indications of a modest increase in the usage of the metal for jewellery in new markets. It is essential that these initial successes be followed up and that the momentum now established be developed further.

## Outlook

It is unlikely that there will be any significant increase in platinum demand during the rest of this current financial year. Although there has been a recovery in the platinum price in the last few months, any favourable effect on the level of this year's profits above that of last year must depend on a much higher platinum price and better prices for the company's other metals, particularly nickel.

On the 6th December the Bophuthatswana Homeland becomes an independent state. Approximately 25% of Rustenburg's production currently comes from within the borders of this state. The company has had discussions with the Bophuthatswana authorities in relation to the change in political status of the territory. I am pleased to say that the discussions took place in an atmosphere of goodwill and that the Bophuthatswana Government, which has consistently declared itself in favour of the principle of free enterprise, is co-operating fully to ensure that the transition to the new status will not seriously affect the company's operations. Rustenburg will have a unique position in that it will be operating in both South Africa and Bophuthatswana but we are confident that it will be the objective of both Governments to assist the company in maintaining a viable entity. It is certainly in their interests that this should be the case.

## Conclusion

In summary, the company's liquidity has deteriorated due to the main to low platinum and nickel prices. Rustenburg's decision to reduce production will strengthen its financial position and will assist in bringing world supply and demand more into balance. This could help in providing a basis for a stronger price in the future.

While the rate of production has been reduced, development will continue so that the company will be well placed to re-establish its previous rate of production when demand improves.

In the meantime two areas of high cost have been identified - in the treatment and refining of base metals and also mining at deep levels. The company is confident that given time it can make changes which will ameliorate these high costs.

The changes in the basis of accounting will assist shareholders to have a better appreciation of the company's actual trading position and this will increase the emphasis on efforts to strengthen its financial position.

I have every confidence in the platinum industry in the longer term. We have experienced adverse trading conditions before and then we have enjoyed a return to prosperity. This will happen again as the world moves out of its current recession. When this happens shareholders will be rewarded for their patience and the company will once again attract the renewed interest of the investing public.

## General

I am grateful to Johnson Matthey & Co. Limited, who continued to carry out their role as our sole marketing agents in a most efficient manner. I also wish to record our appreciation to our customers for their valuable support during a difficult period.

To the Mine Managers, Consulting Engineers, Secretaries as well as all the staff and employees at the Mines and at Head Office, my grateful thanks for the services they have rendered during the past year.

Johannesburg  
5th December, 1977

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## MARKET REPORTS

## Commodities

**COPPER** was steady, afternoon session. The market was quiet, with a few transactions. The price of copper was 100.00 per lb. The market was quiet, with a few transactions. The price of copper was 100.00 per lb.

**WHEAT** was steady, afternoon session. The market was quiet, with a few transactions. The price of wheat was 100.00 per bushel. The market was quiet, with a few transactions. The price of wheat was 100.00 per bushel.

**SOYBEANS** were steady, afternoon session. The market was quiet, with a few transactions. The price of soybeans was 100.00 per bushel. The market was quiet, with a few transactions. The price of soybeans was 100.00 per bushel.

**MAIZE** was steady, afternoon session. The market was quiet, with a few transactions. The price of maize was 100.00 per bushel. The market was quiet, with a few transactions. The price of maize was 100.00 per bushel.

**COFFEE** was steady, afternoon session. The market was quiet, with a few transactions. The price of coffee was 100.00 per lb. The market was quiet, with a few transactions. The price of coffee was 100.00 per lb.

**TEA** was steady, afternoon session. The market was quiet, with a few transactions. The price of tea was 100.00 per lb. The market was quiet, with a few transactions. The price of tea was 100.00 per lb.

**SUGAR** was steady, afternoon session. The market was quiet, with a few transactions. The price of sugar was 100.00 per lb. The market was quiet, with a few transactions. The price of sugar was 100.00 per lb.

**RAUBER** was steady, afternoon session. The market was quiet, with a few transactions. The price of rubber was 100.00 per lb. The market was quiet, with a few transactions. The price of rubber was 100.00 per lb.

**WOLLY** was steady, afternoon session. The market was quiet, with a few transactions. The price of wool was 100.00 per lb. The market was quiet, with a few transactions. The price of wool was 100.00 per lb.

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## Australia silent on sugar talks with Malaysia

Sydney, Dec 5.—A spokesman for CSR Ltd., marketing sugar for Australia, said current talks with Malaysia officials are normal, without any discussions which take place during the term of any contract, but declined to comment on the details being discussed or on any progress made.

The spokesman also declined to comment when asked whether Malaysia was holding up shipments of Australian sugar under the long-term sugar supply contract between the two countries which is due to expire in 1980. He said the contract is being renegotiated and the long-term contract involves a supply of 250,000 tonnes of sugar to Malaysia between January, 1975, and December, 1980, or 275,000 tonnes a year.

Sugar industry statistics show actual raw sugar exports were only 252,000 tonnes in 1975 and 202,000 tonnes in 1976.

The CSR spokesman was unable to say how long the talks, which began last week, will go on. He said the talks are being held in Kuala Lumpur last week that Malaysia had submitted proposals for a new contract, but declined to comment on the details being discussed or on any progress made.

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## Bank Base Rates

ABN Bank	7 1/4
Barclays Bank	7 1/4
Consolidated Credit	7 1/4
First London	7 1/4
C. Hoare & Co.	7 1/4
Lloyds Bank	7 1/4
London Mercantile	7 1/4
Midland Bank	7 1/4
Not Westminister	7 1/4
Parsons Trust	7 1/4
Shenley Trust	7 1/4
TSB	7 1/4
Williams and Glyn's	7 1/4

\* 7 day deposits on same of £10,000 and under 5% up to £25,000, 5%.



**Nilfisk**  
the world's largest manufacturer of industrial suction cleaners

M. J. H. Nightingale & Co. Limited  
22-24, Throgmorton Street, London, EC2R 8PP, Tel. 01-252 8633

The Over-the-Counter Market

1976-77	High	Low	Company	Last Price	Change	Dividend	P.E.
44	27	27	Airsprung Ord	42	-	4.2	10.1
150	10	10	Airsprung 181 CULS	150	-	18.4	12.3
39	25	25	Armstrong & Rhodes	36	-	3.3	9.2
142	103	103	Bardon Hill	141	-	12.0	8.5
102	48	48	Deborah Ord	102	-	5.1	5.0
216	104	104	Deborah 171 CULS	216	-	17.5	8.1
147	120	120	Frederick Barker	147	-	11.5	7.8
118	45	45	Henry Sykes	118	-	2.4	10.1
58	36	36	Jackon Group	36	-	5.0	9.6
114	52	52	James Burnhouse	108.5	-	6.0	5.9
340	188	188	Robert Jenkins	320	-	27.0	8.1
24	8	8	Twinlock Ord	14	-	12.0	16.6
67	52	52	Twinkl 121 ULS	67	-	7.0	10.4
87	65	65	Walter Lawrence	87	-	6.4	7.4

## Foreign Exchange

The mark and the Swiss franc closed just off their day highs yesterday against the dollar in a very active day's trading. The dollar was supported by the continued weakness of the dollar and widespread central bank intervention, dealers said.

The move into marks increased a strain within the joint European float where the central banks of float members were engaged in intervention to maintain their float parities.

The mark closed at 2.1870 against the 2.2055 close on Friday. The Swiss franc finished at 2.1225 against 2.1245.

Sterling closed one cent higher on Friday's close at \$1.8305 while the trade-weighted index closed higher at 63.5 per cent against 63.3.

The yen remained on the sidelines with the prospect of tariff cuts on some imports holding back buying interest, closing at 242.00.

Gold closed in London \$1 an ounce higher at \$159.625.

## Spot Position of Sterling

Market	Rate	Change
New York	1.8305	+0.01
London	1.8305	+0.01
Frankfurt	1.8305	+0.01
Paris	1.8305	+0.01
Brussels	1.8305	+0.01
Amsterdam	1.8305	+0.01
Geneva	1.8305	+0.01
Basel	1.8305	+0.01
Zurich	1.8305	+0.01
Vienna	1.8305	+0.01
Budapest	1.8305	+0.01
Warsaw	1.8305	+0.01
Prague	1.8305	+0.01
Bratislava	1.8305	+0.01
Belgrade	1.8305	+0.01
Sofia	1.8305	+0.01
Bucharest	1.8305	+0.01
Cluj	1.8305	+0.01
Iasi	1.8305	+0.01
Timisoara	1.8305	+0.01
Galati	1.8305	+0.01
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To work for the Area Medical Officer and his staff at this large Area Health Authority. You'll be working as part of a busy, dynamic team involved in the planning and development of the medical services for the City and East London. You will be working with a wide range of medical staff of all grades—particularly post-graduate medical students. You'll need good skills for shorthand, speed and a flair for organisation but no previous knowledge of medical terminology is necessary. The starting salary will be £3,300 +.

If you would like to hear more, please contact Miss VAL PETTIT, PERSONNEL DEPARTMENT, THE CITY AND EAST LONDON AREA HEALTH AUTHORITY, 32-33 CHART STREET, LONDON N.1. TELEPHONE 01-253 5020 EXT. 540.

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